

# The NATIONAL UNDERWRITER

Life Insurance Edition

Insurance Library



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## OUR RESPONSIBILITY GROWS

More than forty-six years ago, when the Company was founded, the responsibilities of the management consisted, in general, of their determination to strict fulfillment of policy contracts and safety of policyholders reserves.

Thirty-six years ago certain vital interests of policyholders would seem to be served by the unified action of many companies. So the officers of the Kansas City Life joined with the officers of other companies to form the American Life Convention, the effective instrument by which its member companies are enabled to discharge ever increasing responsibilities.

Today, the measure of responsibility felt by the management of this Company is indicated by the nearly half billion dollars of insurance in force. This simply means half a billion dollars of future security entrusted to our stewardship by more than 274,000 policyholders.

As the American Life Convention meets for the thirty-sixth time, we see human hazards multiplying and new risks being added to the old. Security, amid such new threats to safety, must be strengthened with added safeguards.

*Our responsibility grows.*

CHARTERED 1895

Kansas City  
LIFE  
INSURANCE COMPANY  
KANSAS CITY  
MISSOURI

AMERICAN LIFE CONVENTION NUMBER

SATURDAY, OCTOBER 11, 1941



## LIFE INSURANCE IS ANOTHER YEAR OLD....

A year has passed since the last meeting of the American Life Convention.

Oppression is still loose in the world. The war fronts in Europe are far-flung and bathed with the blood of men.

In our own beloved land and, the greatest defense plans in history are moving along with ever-increasing momentum so that freedom may be preserved.

And withal, Life Insurance goes on apace, providing the means for individual security, and the people are buying it in 1941 in such volume that this will be an outstanding year for this institution.

# *The* NATIONAL LIFE AND ACCIDENT Insurance Company, Inc.

C. A. CRAIG, Chairman of the Board      C. R. CLEMENTS, President  
HOME OFFICE      NATIONAL BLDG.  
NASHVILLE      TENNESSEE



LIFE  
INSURANCE  
EDITION

# The NATIONAL UNDERWRITER

Forty-fifth Year—No. 41-A CHICAGO, CINCINNATI, NEW YORK AND SAN FRANCISCO, SATURDAY, OCTOBER 11, 1941 American Life Convention Issue

## McAndless Chosen as Head of A.L.C.

### Executives Confer on Live Problems at Chicago Session

#### Many Important Issues Before Company Officials These Days

This annual gathering of the American Life Convention at the Edgewater Beach hotel, Chicago, brought out the strain that is on the minds of company officials in view of the troubled days and uncertainties as to the future. Executives, even using the best judgment and following the burdened paths are not so sure that their planning is wise. There are a number of features of the present situation that are most disturbing.

At this meeting much more was accomplished in the hotel rooms and lobby than in the business sessions. Executives came to counsel with one another. One company may have determined on a course that it felt was correct but its officials desired to check up with other institutions. Some came for comfort, inspiration, hope and a baptism of determination.

Take the federal tax situation for example. Undoubtedly within a few weeks the senate finance committee will work out some sort of a tax measure applying to all classes of insurance. The members of the committee have been friendly to the insurance industry but they realize that it is necessary to tax all sources

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A. J. MCANDELESS, Fort Wayne, Ind.  
New President

### Julian Price Sets Scintillating Pace in His Presiding

President Julian Price appeared on the platform prior to the first session of the general convention Wednesday afternoon with his ubiquitous fedora hat and cane. He stood at the speakers platform while he was "shot" by photographers with his fedora on his head. Mr. Price presided as no predecessor had done. No one knows what he will say or do. He is spontaneous, sparkling and sizzling. He announced that he had a prepared address but refused to give it because there were only a few persons in attendance. Later he acknowledged that he had no address and the only one that he ever did have was prepared

by C. G. Taylor, Jr., vice-president of Metropolitan Life.

He stated that all surviving past presidents of the American Life Convention except two were present at this meeting, the absentees being Harry L. Seay of Dallas, who was busy with the Dallas fair, and Mr. Taylor, who is in a hospital at Charlottesville, Va., having suffered severe injuries when a tractor ran over him.

#### "Razzed" About Picture

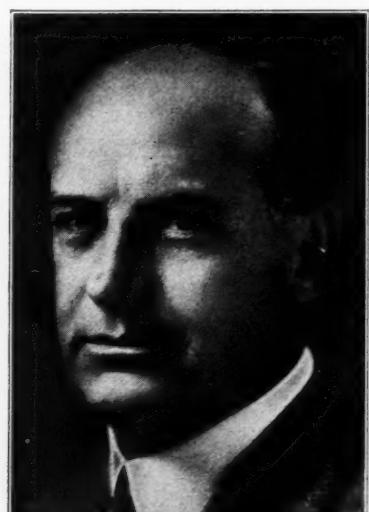
In the program a cut of President Price appeared. There was some razzing from the audience about it and he said that no past president had ever had his picture appear on the program because no one was rated high enough.

Some one from the audience said that no president had been willing to pay for having his cut on the program.

President W. M. Dewey of the Edge-  
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JULIAN PRICE, Greensboro, N. C.  
Retiring President



COL. C. B. ROBBINS, Chicago  
Manager-General Counsel

### Lincoln National Man New President, Lee on Committee

#### Company Organization Starts Another Year with Strong Cabinet

By C. M. CARTWRIGHT

A. J. McAndless, president Lincoln National Life, was elevated to the presidency of the American Life Convention at its meeting at the Edgewater Beach hotel in Chicago this week. He was the senior member of the executive committee that had not served as president and hence was the logical man for the place.

He is one of the best known and highly established executives in the west. Probably no one is sought so often for counsel as he. Because Lincoln National Life writes a large amount of reinsurance, companies that have association with it in this regard feel free to go to the company for advice and suggestions. Mr. McAndless, however, does not shut his ears to any official that seeks him out.

He is a native of Michigan, born in Capac, Oct. 23, 1890. He graduated from the University of Michigan and was a Phi Beta Kappa. He has been very active in organizations, serving on the board of governors of the American Institute of Actuaries and also being an associate of the Actuarial Society of

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RALPH H. KASTNER, Chicago  
Associate General Counsel

## O'Meara Elected as New Chairman of Legal Section

**Lorentzen Is Secretary—Program Keyed to Problems of Present Day**

### NEW OFFICERS ELECTED

Chairman—Joseph O'Meara, Jr., Cincinnati, Western & Southern Life. Secretary—J. P. Lorentzen, Des Moines, Bankers Life of Iowa.

The Legal Section, which always holds its meeting on Monday and Tuesday, opening the proceedings of the week, had an especially well attended session this year. There were fewer addresses this year and they were keyed to a considerable extent to the problems of the day.

E. A. Roberts, vice-president and general counsel of Minnesota Mutual Life, retiring chairman of the section, proved to be an exceptionally able presiding officer.

A review of recent decisions was given by Maurice E. Benson, attorney American Life Convention.

With all the numerous problems confronting life companies in connection with wage and hour laws, unemployment compensation, taxation, and the like, it seems that the cases of greatest significance and importance to life insurance companies that have been decided lately are not concerned with various life insurance matters at all. Most of the cases involving various features of the life insurance contract readily fall into classifications for which the respective legal principles have long been established. Such judicial variability as does exist with regard to some questions, causing lack of uniformity, seems to arise largely from a dissimilarity in the facts involved, and sometimes from a court's humanitarian regard for an individual beneficiary.

The United States Supreme Court announced a larger number of opinions during its recent 1940-1941 term than in the previous term, but there were fewer cases involving constitutional prob-

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## Kenagy Reviews Results in Training of Agents

The agency officers of the life companies of the United States and Canada for the past 20 years have been keenly aware of the problems incident to economical distribution of life insurance protection to the men and women of North America and have shown a leadership which sought a factual approach to these problems and their sound solution, H. G. Kenagy, superintendent of agencies, Mutual Benefit Life, emphasized in his address on "Training" before the Agency Section.

He prefaced his remarks by stating that at the annual joint meeting of the Life Agency Officers Association Life Insurance Sales Research Bureau to be held in Toronto, Nov. 3-5 there would be observed the completion of 20 years of cooperative effort by the American and Canadian companies directed toward improvement of the distribution function in life insurance. He added that in preparation for that meeting he had been reviewing the discussions of agency problems as presented in the annual reports since 1920.

"As I have read and pondered," he continued, "I couldn't help wishing that all the reports could have been made compulsory reading for every member of the T. N. E. C. investigating committee."

### Presented General Facts

And then in keeping with the general theme of the Agency Section's gathering, "The Factual Approach to Leadership" he proceeded to present a general statement of facts concerned with the training of life insurance agents, expressing the hope that his relating of these facts might prove beneficial in effecting more productive leadership in the field of training.

Fact No. 1, he stated, was that a high percentage of new agents, who give indication by early production that they belong in the life insurance business, reach an early plateau above which they do not go and that of those who survive the first three years too many are doomed to a career of mediocrity. He contended that the low ratio of truly successful life insurance agents is due to the fact the agency officers have been "doing such a sorry job of helping men reach the promised land of success and happiness which is surely to be found if only we provide intelligent leadership along the road."

Fact No. 2, a natural sequel, he said, is that established agents, so-called,

those who get beyond three years of experience, do such a poor job, on the whole, of maintaining satisfactory production that general agents and managers are said to give 80 percent of their time to the repetitive job of getting men to do enough work, to find enough new prospects, to maintain reasonable selling skill.

Fact No. 3, he brought out, is the oft repeated paradox: Life insurance has high public prestige; the average man who sells it has little. Agency leadership, only too lately, has concerned itself with this fact, he added.

### What About Post War Period?

"Now, facing the probability of a managed economy in this country after the war," he continued, "with relatively high-cost life insurance to sell, we begin to wonder if the prestige of the agent is sufficient to prevent the rapid development of low-cost, no service life insurance by governmental agencies, or other activities inimical to our present agency system. We have failed, sadly, in the past, to make the owner of life insurance acutely conscious of the services rendered by the man who sold him the life insurance. All too often, of course, the agent rendered no service beyond the sale or before the sale. The percentage of agents who do an intelligent job of what we call programming—making life insurance serve fully as possible the purpose for which it is bought—is woefully low."

Later, he said, "We know that the service of a qualified agent is the keystone of the arch upon which our whole agency system depends for its strength and durability."

### Opportunity in Training

"Recognizing these basic facts," he continued, "all closely related, what field of activity offers the greatest hope of progress for agency leadership? My answer is the field of training. In as brief fashion as possible, I shall try to explain why I sincerely believe that, and what I believe we must do to make training fill such a magnificent role. Obviously, in this brief discussion, I cannot be as concrete and specific as I should like, but I shall try to clarify the what if not the how."

He added that recruiting a better quality of new agents, as desirable as that is, will prove only a partial answer

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## Torrance Elected Financial Section Chairman

### Project Is Started for Joint Study of Mortgage Mortality

Grant Torrance, treasurer of Business Men's Assurance, was elected chairman of the Financial Section in the final session Tuesday. He has been vice-chairman and succeeds Charles F. Nettleship, Jr., secretary of Colonial Life.



Ehney A. Camp, Jr., treasurer of Liberty National Life, was elected vice-chairman, and Paul E. Fisher, treasurer of Indianapolis Life, was named secretary.

### Nettleship Comments on Situation

The dark picture facing investment departments was stressed by Chairman Nettleship in his annual remarks. He commented on the continued downward trend of interest rates, the competition and restrictions of government. Most intensive study of issues and current conditions, and constant extreme watchfulness are required to meet the situation.

Col. C. B. Robbins, A. L. C. manager and general counsel, greeted the section the first day, and Julian Price, A. L. C. president and head of Jefferson Standard, extended his welcome the second afternoon.

A fine exposition of the wage controversy between railroads and the brotherhoods was given at a luncheon of the section Monday by James H. Clarke, (CONTINUED ON PAGE 23)

## BATTERY OF SPEAKERS AT AGENCY SECTION



C. H. HEYL, Lincoln, Neb.  
Director of Agencies, Bankers Life



H. G. KENAGY, Newark  
Agency Superintendent, Mutual Benefit



S. G. DICKINSON, Hartford  
Sales and Research Consultant



F. W. HUBBELL, Des Moines  
President, Equitable Life

# Agency Problems of Today Reviewed

## Tells of Progress Made in Leadership in Agency Work

### Chairman Weidenborner Reviews Steps Taken for Improvement

F. F. Weidenborner, agency vice-president, Guardian Life, as chairman of the Agency Section, in opening its annual meeting stressed the value of the theme of the gathering, "The Factual Approach to Leadership," to the solution of the many problems of the agency department of life companies.

"Arriving at a satisfactory solution of these problems is the common responsibility of every home office man in management," he continued. "Each has a responsibility to the other functional operations of the company—the agency men to the non-agency operations—and the other important branches of the company to the agency men."

"Perhaps, first of all, it would be well to give a definition of leadership as it pertains to our thinking regarding this program. Several months ago, in discussing this program with a man who will appear on it today, he gave me a definition which I believe fits the occasion and the manner in which we approach the problem. He said, 'Leadership consists in providing what is needed by those who are led.'

#### Has the Definition Been Followed?

"Because this definition struck me so forcibly in relation to many things we have attempted to do in the life insurance business in past years, I asked myself whether we who are charged with leadership of our field organizations have always done just what that definition implies, and also whether our men would say that we have given them 'what they need.'

"It is doubtful whether they would have said so 25 years ago. We were then in an era in which the agency officer's conception of leadership—measured by what he did, not necessarily by what he said—was to hire a manager who possessed the quality of personal leadership and turn him loose to do the best he could."

He then reviewed the progress that has been made by the home office to furnish through the agency department the kind of leadership that endeavors to provide what is needed by those who are led. But, in passing, he called unkind many of the things that have been said about those old managers who had the capacity to talk to their men, slap them on the back and persuade them to go out and sell life insurance with little of the equipment which the life insurance companies supply their field men today.

"Hindsight is better than foresight," he added, "and I am inclined to think that we turned our backs on that capacity for personal and human leadership more completely and more abruptly than the situation warranted."

#### Back Slapping Outmoded

This era of personal or human leadership by the back-slappers was succeeded some 20 years ago by the belief that a leader was a man who had in his company or in his agency office a full kit of tools for selling life insurance and he tried to the best of his ability to get all

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## War Economy Is Bringing Clouds in the Field

Economic upheaval and the national defense program, with the coming of war economy, are having a profound effect on the buying ability and habits of the people, F. W. Hubbell, president of Equitable Life of Iowa, told the Agency Section in a talk on agency management. The sale of life insurance, therefore, will be affected and agency departments must adjust themselves to this situation.

The normal market for life insurance will be disturbed, as heavy income taxes are applied, reducing amounts available for purchasing commodities or for saving.

"Under present conditions, this will particularly affect the middle income group who have always been large purchasers of life insurance," Mr. Hubbell said. "Purchases of government savings bonds, which, of course, are essential, will reduce and change former savings processes.

#### Life Insurance Needs Continue

"The need for life insurance, however, will not be lessened. On the other hand, with increasing prices, which are certain to be present, it will take more life insurance to carry out a planned program.

"In my opinion there will be a definite swing away from policies and contracts which predominate in investment features and a swing toward policies providing protection.

"Although the present period presents its difficulties, our business has many advantages. There remains a large market for our services. We will not be handicapped by inability to secure raw products as will be the case with many industries. The national income has greatly increased and will exceed 100 billion dollars in 1942. We will have no priority problem.

"Our duty and obligations to the public will remain the same as heretofore, namely, making available programs of security and protection.

#### Many Factors Are Noted

"We are living in a very difficult period of the world's history. This in itself raises many disturbing questions. It complicates and enlarges the many tasks confronting us. Our country, al-

though not formally at war, has initiated a program for all out national defense greater than that ever before undertaken. We are very rapidly changing over our economy from a peace time to a war time basis. The production of consumer goods is already being curtailed; within a very short period of time the curtailment will be severe. Many commodities will be unavailable. Many of our young men will be in the armed forces and more will follow. All of these phases of a war economy and innumerable others will affect our sales of life insurance.

"The institution of life insurance has carried on successfully over a long period of time, through periods of peace and prosperity, through times of war and pestilence, through years of depression and hard times. It will continue through the years to come, acting always as a stabilizing force in our economy as a whole and as a last refuge to the individuals enjoying its blessings.

#### Departments' Cooperation Vital

"In good times, when few problems exist, it is important for agency departments to have the utmost cooperation from all other departments of the companies, including the complete support of the management. In troublous times, such as the present, it is essential, as they are responsible for supplying the life blood of our business. With that in mind, we should be ever thoughtful of their best interests. It can all be summed up in two short words. To be successful in the conduct of the affairs of their companies, the managements must be agency minded."

Mr. Hubbell said management must give increasing thought and attention to the problems of the agency forces, for they are an all-important part through whom the benefits of life insurance are made available to the public. The agency department is responsible for this essential service. It is charged with securing a volume of new business satisfactory to the management at a reasonable cost, which requires induction and training of new agents and supervision of all agents. These must be quality men and women, of high character, well

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## AGENCY SECTION'S OFFICERS



J. C. HIGDON, Business Men's  
New Chairman



F. F. WEIDENBORNER, Guardian Life  
Retiring Chairman

## Higdon Is New Section Chairman, Kenagy on Deck

### Recruiting, Supervision, Training and Management Discussed

J. C. Higdon of Kansas City, vice-president Business Men's Assurance, who served as secretary of the agency section during the year was elevated to the chairmanship succeeding F. F. Weidenborner, vice-president Guardian Life. H. G. Kenagy, superintendent of agencies of Mutual Benefit Life, was elected secretary. He gave one of the profitable addresses on this year's program.

Mr. Weidenborner stated that the theme of the program was the "Factual Approach to Leadership." He said that the American Life Convention had always been cooperative in agency work.

Julian Price, president of the American Life Convention, was introduced, stating that he always felt at home in connection with agency men because, he started his career in 1905 as an agent in the field. Mr. Price said that he preferred agency men to actuaries and stated that on this very morning, three actuaries were at his table for breakfast and in spite of their mathematical knowledge, he forced them to pay for his meal. Mr. Price came to the meeting with his fedora in good shape and was accompanied by his walking cane. Col. C. B. Robbins, manager and general counsel, also brought greetings from the convention.

#### Five Worthwhile Talks

The program comprised five speakers all of whom gave addresses of a practical and worthwhile nature. C. H. Heyl, director of agencies Bankers Life of Nebraska, spoke on recruiting; Mr. Kenagy on training; L. S. Morrison, director of research Life Insurance Sales Research Bureau, on supervision and motivation; S. G. Dickinson, sales and research consultant, Hartford, on survey results, and President F. W. Hubbell, Equitable Life of Iowa, on agency management.

There were three speakers on the Agency Section program American Life Convention who had Life Insurance Sales Research Bureau training. One was L. S. Morrison, who is now director of research of that organization. H. G. Kenagy, superintendent of agencies Mutual Benefit Life, and S. G. Dickinson, sales and research consultant at Hartford, are former bureau men.

R. B. Lucas, recently retired as Missouri insurance superintendent, and who has been made general counsel of the Kansas City Life, was at the hotel becoming better acquainted with life company officials. He finds it necessary to close some private cases that he has on hand before moving to Kansas City. He expects to take up his new work about Nov. 1.

W. B. F. Hall, second vice-president of Lincoln National, nearly became an astronaut for life before going with Lincoln National. He was graduated as aeronautical engineer from University of Michigan, then underwent flying training at Pensacola, Fla., naval training station. Later he saw service with the battle fleet. Mr. Hall is a son of Chairman Arthur F. Hall of his company.

# What Is Ahead for This Country?

## Thoughtful Glimpse Is Made Into the Future

E. B. Raub, president Indianapolis Life, in his address before the American Life Convention instead of a review of past achievements, took the part of a prophet and gave a look ahead. He said:

"Future economic events are under the control of changing human forces. Past experience can furnish no exact pattern for the future, as the panorama of human events never repeats itself. In looking ahead, therefore, we must realize that some of these supposed problems facing us today will probably disappear and be supplanted by new ones tomorrow.

"In view of ever-changing world events and uncertainty as to the measure of their impact upon business generally, life insurance management hesitates as to future moves much as one contemplates the alternate moves on a checkerboard.

"During the last decade, while business and industry were attempting to raise themselves out of the depths of a serious depression, there was crowded upon us in a fast moving sequence a vast series of social and economic changes, which, for the most part, were a tardy compliance with the demands of modern society. Most of these reforms met with the hearty approval of the overwhelming majority of our citizens, and doubtless will be permanent additions to our American system. We are living in a constantly changing world, and wise businessmen should continually examine their position and put themselves in accord with the new ideas and ideals the American people want. The average American, when confronted with new laws affecting his business, appears to be imbued with the philosophy represented by the French word, 'laissez faire'—leave things as they are. He reveres tradition and resents change.

### American System at Work

"In democratic America, our citizens assume the prerogative of freely criticizing their government and those in public authority. They are alarmed when new laws are enacted touching their business, lament the good old days of the past, and though they are now basking in the sunshine of an accelerating prosperity, are tormented with doubts about the future. This is the American system at work. In a world darkened with the vast tragedy of war and shaken to its center by momentous social and political changes, all business faces an uncertain future.

"What will be the ultimate effect of our tremendous war and defense expenditures? How will our ever increasing national debt, crushing taxes and the concentration of federal power, affect our American economy; and what may we expect after the vast expenditure for defense is over and again we turn to a peacetime economy? These and many other questions challenge our sober consideration.

"This convention has met at a time when our nation is facing the most vital and crucial period in its history. For the second time in a generation the war lords of Germany, now led by a mad, brain twisted fanatic, with a fantastic imagination, again envisage the domination of the world. No country is secure from this unmasked lust for power that proclaims that, 'The German race has a divine right to rule.' Hitler's one-by-one strategy dramatizes for us what may happen on this side of the Atlantic. He boasts that he can rely upon the advocates of peace to simplify his strategy of appeasement and isolation.

"The Nazi formula is to level a psychological barrage at the intended victim long before any military offensive; develop cleavages among its people and put a wedge in the core of the coun-

try's morale. This has been accomplished through the machinations of the Quislings and the fifth column traitors, who by deception, false propaganda and promises, lulled the fears of the people, destroyed their morale, and made them an easy prey for the armed forces.

"Whether we like it or not, we can not blindly shut our eyes to this unleashed threat. We must accept the challenge. No price is too high for us to pay, no sacrifice too great for us to make, for the protection of our American democracy and the preservation of our country, as a free, independent and powerful nation.

"Our fortunes are bound up with those of Britain. If Britain wins, our first line of defense is secure, our commerce on the high seas assured, and our freedoms preserved. If Britain falls or agrees to a negotiated peace, we must either fight alone or fall a victim of the appeasement strategy.

"It must be remembered, however, that the cultural and religious characteristics of Latin America do not spring from Anglo-Saxon roots, but from Latin nations of southern Europe. These countries, under the domination of the new Hitler super-state, would furnish a logical market for the bulk of Latin American products.

### National Security Threatened

"Whether we approve the foreign policy of our country as promulgated from Washington is beside the question. Our national security is threatened, and we are already involved beyond any possibility of withdrawal, and the course of America is plain. To reverse our national policy would be an evidence of weakness, reflect upon our national dignity, and impair our prestige as an independent, powerful nation.

"No nation can successfully wage a war with its people apathetic or divided. We must act with resolution, speed and imagination; we must repudiate and disavow any conduct on the part of our people that tends to incite racial or religious antipathies, and with a national unity of purpose and resolve, let us submerge all differences.

"Let America wake up before it is too late. Let us close the ranks behind our leader, and work and work, and produce and produce, and give to the embattled democracies all the tools and implements they may require.

### New Load on Industry

"All this portends an enormous new load on industry. Despite the fact that vast sums have been appropriated, actual spending has hardly begun. Many of us are impatient at this lag and delay between the appropriations and the

actual spending. Democracies are not geared for wartime activities and the transition from peacetime operations to those of war takes time and much planning. America experienced the same handicap in the world war. Someone at that time said Washington was like a hive of bees with no queen. This is probably as true now as it was then.

"War today is waged not so much in the trenches as on the assembly lines; it is a battle of industrial strength and capacity production; it is a contest of economies in which financial and material resources are the chief weapons; it is a contest of tanks, planes and ships on a mass production scale, and the extent of our capacity to produce bombers and fighter planes may determine whether we shall win or lose in battles yet unfought.

"It is difficult for us to comprehend the tremendous cost of modern mechanized warfare. The world war cost the United States about 20 billions, and it is estimated that the cost of the present emergency and war program will approximate 100 billions. If Britain falls, the cost will be a lot more.

### MUST SACRIFICE

"This means that our citizens must work and sacrifice as never before. Capital and labor must compose their differences, patriotism must have precedence over politics, and the productive capacity of our country must be expended and extended to the very limit. The crest of arms production is still 18 months away, and priorities, rationing and price fixing are only the initial steps in a comprehensive program of restriction and regimentation to which all individuals and all business must conform.

"We can not have business as usual. We must put national welfare first. The dominating motif in all our activities must be attuned to the national program. Our people from the earliest days have had instilled in their minds and hearts the notion that 'eternal vigilance is the price of liberty.' They are inherently jealous of the personal rights and liberties they enjoy, and even in a national emergency reluctantly submit to their withdrawal or curtailment. They sense a sinister danger in this process and are fearful lest their rights and liberties if once surrendered may never be recaptured. We must have faith in our national leaders and wholeheartedly support them during the emergency in the hope that we may preserve the landmarks of our democracy and not permit those slender threads, from which our freedoms are suspended, to be broken,

else as an aftermath of all our emergency efforts we may find only an empty shell of what we set out to defend.

"In view of accumulating deficits for several years and the present tremendous spending under the defense program, we rather expected a decrease in non-defense appropriations, yet the actual appropriations for non-defense purposes by Congress for this year exceed last year by nearly 100 million dollars.

### Atmosphere of Politics

"The truth is, and it is a rather sad commentary on the way our democracy is working, that the great majority of our business men, men who pay the big tax bill, forget that Washington lives, moves and has its being in the atmosphere of politics. In colonial days, the citizens had their town meetings. All the citizens and taxpayers participated in these meetings. Today the average citizen is too smug and complacent to engage in political activities; he disdains anything that smacks of politics, and as a consequence, selfish, organized minority groups control most of the nominations and elections. Too often Mr. Average Citizen doesn't know what he votes for or why. He is utterly inarticulate in political matters. Is it any wonder that he has lost touch with his local political organization and those who are supposed to be his representatives in public office? He is a stockholder in the greatest corporation in the world, the United States of America, and should acquaint himself with its business and perform his duties and obligations as a citizen, and take an intelligent and active part as a stockholder in this great corporation. The future of our democracy will be determined by the interest displayed in political matters by our citizens.

### INFLATION

"In one way or another, the subject of inflation is nearly always associated with the incident of war. For some time we have been hearing whispered fears of inflation. Now that an actual shooting war appears imminent, these fears are becoming more vocal. There is much elasticity in the word 'inflation,' and without qualification, it may mean any degree of a rise in price of goods and services. To most persons, however, it signifies a sharp rise in prices in a rather short period of time, but to others it connotes a runaway sky-rocketing of prices and printing press currency.

"As our defense program develops, (CONTINUED ON PAGE 21)



Vincent P. Whitsitt, manager and general counsel of Life Presidents Association; Arthur Coburn, vice president Southwest Life; Bruce Shepherd, Life Presidents Association; R. B. Richardson, president of Western Life, and George A. Adsit, vice-president Girard Life.

## Supervision and Motivation in Agency Field Work

Exciting into action to do the things that should be done tersely tells the summation of the subject, "Supervision and Motivation," discussed by L. S. Morrison, director of research, Sales Research Bureau, before the Agency Section.

"What do we mean by supervision and motivation?" Mr. Morrison asked and he then gave the following answers: "Supervision means to oversee—to see that things get done. Not only that, but to see that the things which do get done are the right ones. Motivation means to make move, to incite into action. It is not the same as morale, for morale is a state of mind which makes a man accept supervision and makes him receptive to your efforts to make him move. To my own way of thinking, the best definition of morale came from Marshal Foch: 'Morale is what makes a man want to carry out the wishes of his superiors.'

### Use Wholly Different Methods

"We are constantly seeing different men achieve the same successful result by using wholly different methods of supervision and motivation. We see two men use the same methods; one fails and the other succeeds. This is another indication of the relative importance of method, and further proof that the men who succeed observe certain basic fundamentals, the men who fail do not.

"What are these basic principles or characteristics which seem to determine success or failure? We think there are at least three:

"1. Supervision and motivation must be honest and sincere.

"2. It must direct and encourage men

to do what is beneficial to the company, and

"3. To do what is beneficial to themselves.

"When we speak of honesty, we are not much concerned with the kind of honesty which keeps people out of jail. We are concerned with the kind of honesty which keeps people out of trouble: intelligent honesty, or integrity, if you like that word better.

### Need to Play Fair

"That, among other things, means playing fair with yourself and others. The man of intellectual honesty says what he means and means what he says. He faces facts and interprets those facts by what they say rather than by what he thinks. While not denying the reality of such legitimate human emotions as hope, ambition, and fear, he can and does clearly distinguish between sentiment and sentimentality, between substance and shadow, between what matters and what doesn't. He will get more excited about helping a man earn a good living for his family than about winning a contest, even though, at the moment, the contest may seem to be the more pressing.

"Sincerity implies the will behind the words. The sincere man wants to make good what he has said he would do. He wants to give fair consideration to the other party in the deal. He will speak only when he can speak with confidence based upon sound and comprehensive technical knowledge, experience, good judgment, and some intimacy with human nature. He must know what probably can be done and also who can probably do it."

In this connection he stressed the

necessity for the agency vice president, the general agent and branch manager attempting to learn the facts about the things that are to be done, discuss them if necessary with others, weigh all factors carefully and then come to a mature decision before acting.

For instance, he brought out, the agency vice president will recognize that the general agent must earn a reasonable profit through his agency and that it is unfair to expect him to do what will hinder that objective. The general agent in turn will not offer a \$200 a month drawing account to a prospective agent unless he honestly believes, with a belief based on more than wishful thinking, that he is talking to a much-better-than-average man, for he will know that not many new agents can be expected to work themselves out a deal like that.

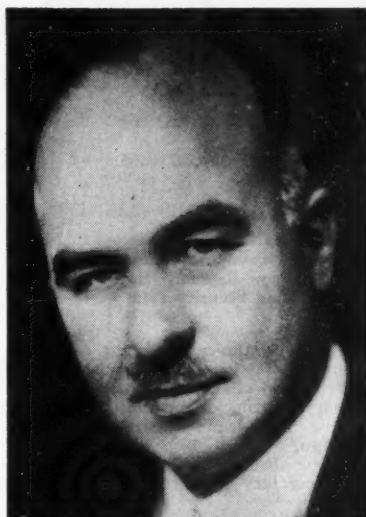
### Sincerity Is Foundation of Morale

"Sincerity is a foundation stone of morale," he continued. "Good morale is an essential to success and the lack of it a prime cause of failure. Therefore, we believe that lack of sincerity is one very important reason why managers fail. Men can be taught the techniques of their trade; they can be made to work; but if they are insincere in their dealings with others, they must be very clever indeed to avoid the ultimate reckoning. Supervision and motivation must cause men to do what is beneficial to the company."

Mr. Morrison contended that the basic principles which control the efficiency of the selling operation have only recently begun to show up at all clearly. And as a result the real factors that cause some men to be good managers with good agencies and others to prove failures are beginning to be revealed and understood.

In this connection he revealed that his organization's studies had brought out that good or financially profitable agencies have two basic characteristics in

## From London



ARTHUR BEVERLY BAXTER

Arthur Beverly Baxter of London, Eng., Canadian born member of the British House of Commons, and an outstanding journalist, was one of the prominent speakers at the general session of the American Life Convention this week.

common: Their turnover is low and their per capita production high.

Discussing the reasons why, in the business as a whole, turnover rates are high and per capita production rates are low, he touched on the matter of the common compensation plan and its vested renewals, saying that he suspects those who hold to the belief, so com-

(CONTINUED ON PAGE 16)

## JEFFERSON STANDARD EXTENDS GREETINGS TO AMERICAN LIFE CONVENTION

"... that all men are created equal... endowed... with certain inalienable rights, that among these are life, liberty, and the pursuit of happiness—"

Declaration of Independence

Every policy issued by our Company says, "A Jefferson Standard policy is a Declaration of Independence for the Family."

175,000 people have signed this "Declaration," guaranteeing 435 million dollars life insurance protection.

# JEFFERSON STANDARD LIFE INSURANCE CO.

Julian Price, President  
Founded 1907

Greensboro, North Carolina  
The Quality Minded Company

## Confidence in Future Is Industrial Section Keynote

**Palmie Elected Chairman**  
**—De Witt Points to Sound**  
**Basis of Business**

### NEW OFFICERS ELECTED

**Chairman**—A. G. Palmie, assistant secretary Home State Life.  
**Secretary**—Bascom Baynes, president Home Security Life.

A. G. Palmie, assistant secretary Home State Life was advanced from secretary to chairman at the 10th anniversary meeting of the Industrial Section of the American Life Convention in Chicago.

In the absence of B. L. DeWitt, assistant secretary-treasurer of Peninsular



A. G. PALMIE

Life, retiring section chairman, Mr. Palmie read his report. The Industrial Section now has three more members making a total of 35 companies with \$2,023,048,320 total assets and \$11,169,499,379 insurance in force.

In these times of stress and of especially rapid changes the interchanges of ideas and practices are especially valuable, Mr. DeWitt pointed out. "We are doing things undreamed of five years ago, and we do not know now just how we shall be doing them five years hence. But, of this much we can be sure; our business is founded on certain scientific principles which assure the minimum of risk and the maximum of safety. On such a firm foundation, we have only to recognize the need for a change in methods and to carry out such changes when they are necessary."

### Face Sharply Rising Costs

Companies are faced with sharply rising costs, especially from taxes and salaries and living costs, Mr. DeWitt said. "We are caught in the first whirl of inflation, we are being ground between fixed contractual premiums and spiraling expenses. Whether we will meet this by consolidating our debits, curtailing expansion, or general retrenchment through our companies, I do not know, but I am positive that we will meet this and every other problem that we now have or will have."

In commenting on the TNEC investigation Mr. DeWitt said that any fair-minded person must admit that the record of all life insurance is remarkable and that of industrial insurance especially so. However, he warned, "we have not heard the last of that investigation. We have also come through other problems and troubles which sometimes seemed insurmountable and we are now

**Stevenson Reviews**  
**Marked Accomplishments**  
**—Urges Forward Trend**

The vast strides made by industrial insurance to the point where the differences between it and ordinary have gradually disappeared were reviewed by E. B. Stevenson, vice-president National Life & Accident, before the American Life Convention's Industrial Section in Chicago. Industrial insurance has come a long way and many milestones have been passed, possibly more than some realize, Mr. Stevenson said. This improved position just did not happen, it has been the result of careful planning, intelligent execution, he said. "All decisions have been made with the interest of the policyholder foremost. In weekly premium insurance, as in perhaps no other business, has personal interest been subjugated to the interest of those served. Business built on this fundamental is bound to progress."

### Better Satisfied Policyholders

The result has been better satisfied policyholders, a more favorable reception on the part of the public. From this has come an ever-increasing volume which has, in turn, resulted in a greatly improved agency force, better trained and better compensated so as to render better service and thus in a better way discharge obligations to policyholders. Because of this the policyholder is in a very satisfactory position today. His insurance is in a company which is much stronger financially and therefore offering a greater degree of security. Policy benefits, rates and values have been liberalized to a degree where they are now comparable with rates, values and benefits offered under ordinary policies. Industrial is being sold and serviced by well

facing others ahead but our ship can weather any storm."

F. M. Nettleship, secretary of agencies Equitable Life, D. C., past chairman, served as secretary pro-tem while Mr. Palmie presided. Stork delivery irregularity at the De Witt home accounted for the section chairman's absence. Last year when he was elected Mr. De Witt was also absent as he was then recovering from a long illness. Tribute was paid to Mr. De Witt's efforts in arranging a well-balanced and effective program.

## Reviewer



MAURICE E. BENSON, Chicago

Maurice E. Benson, assistant counsel American Life Convention, appeared in his annual role at the Legal Section reviewing the recent decisions affecting life insurance in the higher courts during the year. It is always a most valuable part of the program.

selected and highly trained men, experts in their field.

"With all this it would seem that we should be thoroughly satisfied over a job well done, but no, for there are many milestones yet to pass if we are to measure up to the opportunities that are ours," Mr. Stevenson declared.

Improvements in the past have been made to keep pace with the changes in economic and social conditions. These conditions are in a greater state of flux now than ever before and therefore, it is highly necessary that "we keep pace with these changes by continuing to strive for improvements that will bring our business in line with the economic and social conditions that now exist and as changes in these economic and social conditions occur in the future."

### Up to Every Company

The best way to meet this challenge and to see that the weekly premium business is improved wherever possible, is for every company to improve any weaknesses that may exist within that company. Three very important factors to be studied are: costs, agency turn-over and lapses. For the bulk of the business, costs are now running about 15 percent more than costs of or-

(CONTINUED ON PAGE 18)

## Imploring Insurers to Fight Sources of Inflation

**Dr. Nadler Advocates Opposing Farmer-Labor Demands**

Life insurance companies are the foremost institutions catering to the human desire for economic security and have played an important role in the economic development of the United States, Dr. Marcus Nadler, professor of finance of New York University, and consultant economist Central Hanover Bank & Trust Company, New York City, stated in addressing the concluding session of the annual meeting of the American Life Convention. This was Dr. Nadler's second appearance recently for a life insurance audience, as he addressed the Cincinnati convention of the National Association of Life Underwriters.

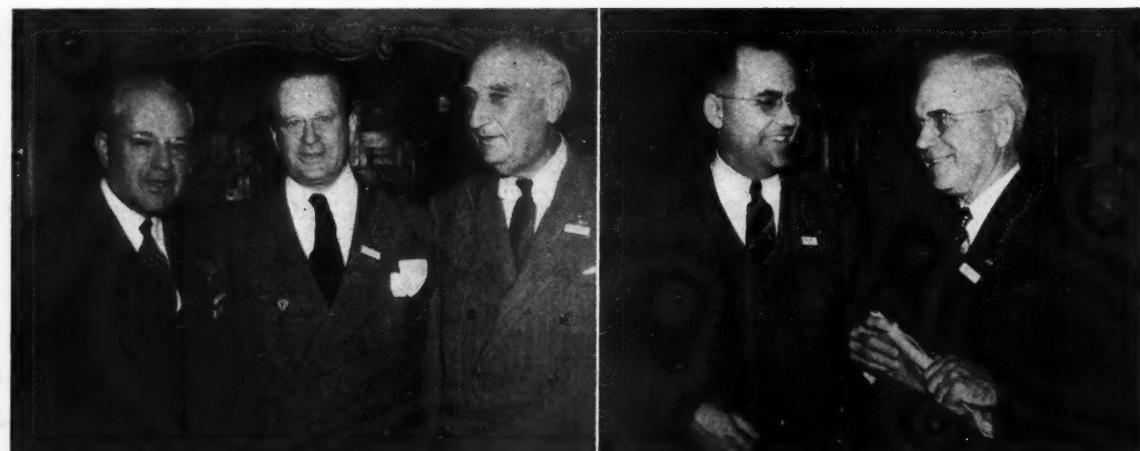
He said that prior to 1933 the life companies were practically the only institutions in the United States which offered the individual the means to protect his dependents after his death or himself in his old age. In those days, the individual did not look to the federal or state governments for economic protection or security, and the average American believed himself and his dependents his own responsibility and duty, and he looked toward the insurance companies to enable him to carry out his plans and policies.

"With the collapse of the stock market boom in 1929," Dr. Nadler continued, "and particularly during the ensuing years of the depression came the gradual decline of the philosophy of rugged individualism and an important change in the concept of the function of the federal government. During the '30s the most pronounced tendency throughout the world was the desire for economic security."

### Security and Dictatorship

He then pointed out that in Europe the people turned to the totalitarian form of government, merely because they were promised this security—a promise thus far unfulfilled, while in the United States the government, under the pressure of existing conditions and to meet the desire for increased eco-

(CONTINUED ON PAGE 17)



President W. M. Dewey of Edgewater Beach Hotel and honorary member of A. L. C.; H. H. Armstrong, vice-president of Travelers, and E. B. Raub, president Indianapolis Life; father and son combination—Norman Morse, vice-president, and Joe D. Morse, president of Home State Life of Oklahoma City.

## Developments Seen in Life Insurance Policies This Year

**Secretary-Actuary F. E.  
Huston Mobilizes Considerable Useful Information**

F. Edward Huston, secretary and actuary American Life Convention, was delegated to prepare a paper on the policy developments of 1941, which contained much valuable information for all companies.

This past year has witnessed the beginning of a cycle in which non-participating rates and reserves are being increased as a result of the continued downward trend in interest yields. It is estimated that from Oct. 1, 1940 to the end of this year 30 percent of the non-participating companies will have adopted 3 percent interest reserves and over 50 percent will have increased premiums and decreased the interest rate guaranteed on settlement options and annuities generally to  $3\frac{1}{2}$  percent for annuities and about evenly divided between  $2\frac{1}{2}$  percent and 3 percent for settlement options. Several companies are adopting 2 percent interest for annuities and policy proceeds left with the company. Based on the volume of ordinary non-participating business issued during 1940, companies increasing premiums during the 18 months' period ending Dec. 31 of this year account for approximately 75 percent of such insurance being issued; and the companies adopting 3 percent interest reserves account for about 60 percent of such new insurance.

### Change to 3 Percent Basis

At this time there also is approaching the end of a cycle in which a number of midwestern and western participating companies are changing from  $3\frac{1}{2}$  percent to 3 percent interest reserves. During the 18 months ending at the close of this year about 20 percent of the Convention companies writing participating business will have made such change in reserves and close to 40 percent will have adopted a lower interest rate for settlement options and annuities. There is also a slow but continued trend toward the adoption of 5 percent interest for policy loans. During the above mentioned period, about 10 percent of the companies will have changed to that basis.

Indications are that still another cycle will begin during the coming year in which a number of large mutual companies plan to further reduce the interest rate to  $2\frac{1}{2}$  percent and  $2\frac{3}{4}$  percent on reserves and to 2 percent and  $2\frac{1}{4}$  percent on settlement options and annuities. In some cases it is also contemplated that participating premiums will be increased; the mortality basis for settlement options and annuities will be strengthened; policy forms in which the investment element is predominant will be discouraged; and term policies will be further emphasized, possibly by means of an adjustment in commission rates. The mortality basis currently employed for annuities and settlement options involving life contingencies is generally the 1937 standard annuity table rated back one age for males and six ages for females.

### Term Insurance Popular

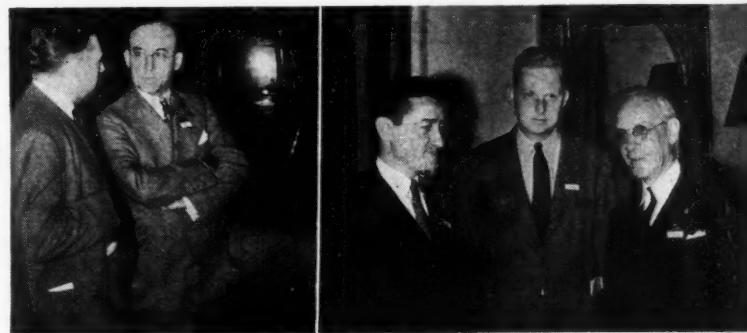
Trends in policy forms may be noted by observing the forms adopted and those discontinued during the year. The plans adopted consist almost entirely of some form of term insurance and many are keyed to the social security retire-

ment age of 65. Popularity of new forms was about evenly divided among regular term plans; the mortgage redemption form; the double protection to age 65 policy; and the family income and family maintenance forms. A number of companies also adopted the life paid up at age 65 plan and several companies adopted the family group policy form. Judging from the announcements as to policy forms discontinued, the single premium endowment plan qualified as insurance enemy number one. Six prominent companies announced the discontinuance of all single premium endowment forms and four companies have discontinued such forms with duration of less than 20 years.

Concerning juvenile insurance, nine eastern companies announced the reduction of the age limit to 5 on a few of the principal plans in states that permit.

A significant change in annuity contracts is that several companies announced the replacement of the single premium cash refund annuity by an installment refund annuity. One large mutual company discontinued the sale of group annuities and annual premium annuities without life insurance, and two prominent companies discontinued the retirement annuity forms.

Another noteworthy development of the year was the liberalization of regular air travel restrictions by a number of

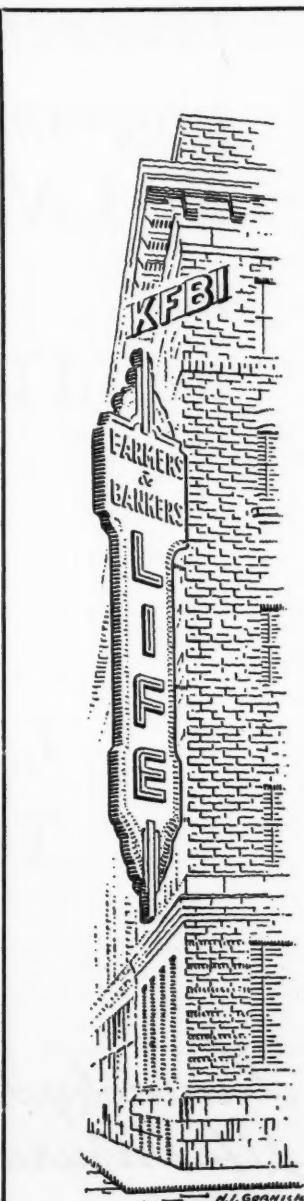


John Viser, attorney, and B. V. Brady, general counsel, Old Line Life; O. F. Grahame, associate counsel, and R. M. Stubbs, assistant counsel, Paul Revere Life; W. T. Grant, president Business Men's Assurance.

large companies which now provide standard insurance for those who fly as fare paying passengers on scheduled air lines in the United States. Double indemnity benefits were also liberalized for such coverage.

Concerning war clauses, one company having less than \$100,000,000 of insurance in force announced the adoption of a war clause for all new male risks between ages 15 and 36, and several large companies adopted an aviation clause

(CONTINUED ON PAGE 14)



## Greetings to the American Life Convention

We are proud of our affiliation with the American Life Convention and have found our membership to be highly beneficial. May this organization long continue its helpfulness to the Life Insurance companies of this continent.

## THE FARMERS & BANKERS LIFE INSURANCE COMPANY

WICHITA, KANSAS

H. K. Lindsley, President

F. B. Jacobshagen, Vice President-Secretary

J. H. Stewart, Jr., Vice President-Treasurer

Radio Station KFBI

1070 Kilocycles

*"Policies that Protect"*

## Problem of Recruiting Is Most Important Field Issue

Life insurance is the only industry, large or small, that applies the word "recruit" to the process of engaging new salesmen, new employees, or increasing the staff of the organization, Charles H. Heyl, director of agencies Bankers Life of Nebraska, declared in his address on "Recruiting" before the Agency Section.

He said that this word "recruit" having now become a part of life insurance vernacular has materially contributed to the confusion that currently exists about it, since there appears no general agreement as to what the word itself implies, either in the public mind, among those engaged in "recruiting" or in the ranks of those who are being "recruited."

"It implies," he added, "a sort of mass effort in which we all who are charged with its duties shall simultaneously engage and perform alike. If you will accept the definition to be found in any dictionary it is hard to escape that conclusion."

### Thinks of Military Life

"When one speaks of recruiting, the mind instinctively thinks of an army; of soldiers and uniforms, of regulated routines, and regimentation. And 'the mind' is right. Our grammar school texts, yes, even the Bible itself, supports that impression. But the army is not a life insurance company and a 'soldier' is not an insurance salesman."

He then stressed the fact that soldiers in the army must dress alike and do the same job in the same way, etc., in order for the army to be successful, whereas if experience has proved anything, it has clearly demonstrated that salesmen defy standardization. "Yet many people continue to dream about systems where men will fit selling jobs as nuts fit bolts," he added.

"But standardization of selling and the engaging and development of salesmen—is a doubtful possibility at best," he continued. "Competition is the soul of business, even though it may be the ruination of morals. Our interest should be directed towards encouraging the former, without capitulating to the latter. Anything that tends to deindividualize the individual should be 'smoked out' at the start and completely condemned. Half of the world is divided on that

issue today, and in a selling career, no less than in a democracy, the individual must be preserved. The dignity of individual personality is not only an essential, but it constitutes our greatest single appeal to the best type of future representative whose interest we seek to arouse."

He then discussed the failure of an important middle western state to standardize its rural schools, and how one farmer had brought home to the superintendent of his county's schools that draft horses and race horses have their proper function, and that anyone who would starve the one and overfeed the other to bring them to a standard would ruin both.

### Seeking the Right Men

"The fact is we are not seeking to find individuals to fill a job," he continued. "We are not seeking to employ somebody. We are trying to find persons with vision, courage and enthusiasm who will go into business for themselves. A life insurance career constitutes one of the few remaining opportunities to become an independent contractor."

"It isn't practicable to embrace any system or method of engaging new men which pretends to be broad enough to apply generally to any part of the country, to every set of economic conditions, or to different individuals. We are not angling in a pool where the same bait will attract all fish. We are dealing with individuals, in all kinds of circumstances.

"Surely, there is a totally different problem involved in the engaging of a man to represent a life insurance company in a community which boasts many existing policyholders and which has, consequently, a relatively large volume of business in force, and a similar effort in a territory where the company is not well known, and where there are only scattered, if any policyholders."

He contended that those who unconsciously fall into the habit of seeking a standard procedure which will make "recruiting," as they think of it, easier, have their minds confused with the mechanics of "recruiting," rather than being crystal clear in the conception that the only important thing is to influence one man to engage in an occupation which they sincerely believe to be to his best interests, and then concentrating wholeheartedly and with absolute unselfishness, to try to develop in him the confidence he must have in himself to meet the difficulties that lie ahead.

"The development and maintenance of his self-confidence involves many things," he continued, "but the phrase itself best describes all of them."

### Financing the New Agent

Touching on the question of "financing" the new agent, he said he did not hold with those who say that every man must be financed, adding that he does not believe in advances as such nor in a loose arrangement for paying salaries without any very clear idea where it is going to lead.

"I do, however, believe wholeheartedly that leadership is most potent when intelligent financial support is given to a first class man," he added.

In this connection he pointed out that it is generally agreed that it takes at least three years to establish a life insurance agent and that his personal production in the early years may range only from \$50,000 to \$60,000 of paid-for business, so that he may earn only about \$600 in cash the first year with the rate book, and from \$1,200 to \$1,500 the second year. So that before he has established himself as a successful life insurance agent the new man has either eaten up his personal reserves or is deeply indebted to the company. The solution of this problem seems to be to

### New Director



LAURENCE F. LEE

A double-deck president was elected director of the American Life Convention this week, he being Laurence F. Lee, who is head of the Occidental Life of Raleigh, N. C., and the Peninsular Life of Jacksonville, Fla.

for YOU—  
and for YOURS...

...that your personal  
financial defense  
program be neither  
too LATE...

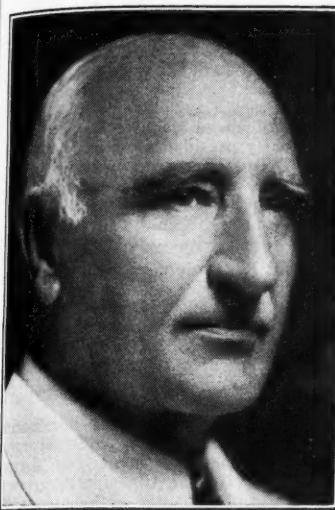
nor  
too LITTLE...

...buy more  
Life Insurance  
TODAY....

Kentucky Home Mutual  
Life Insurance Company  
LOUISVILLE - - - - KENTUCKY

ELLSWORTH REGENSTEIN  
President

## Looks Ahead



EDWARD B. RAUB  
President Indianapolis Life

seek only a man or woman with a high sense of financial responsibility and a consuming desire to better their position in the world. "Subordinate every other consideration—education, social position, club memberships and so forth," he continued. "They mean but little. Such an individual is not hard to find. He is much easier to find if that's all you're looking for. And then after you have found him, give him the most intelligent, spiritual and financial support that your own character and budget will permit. There will be losses, of course, but we are investing, not speculating, when we hold to those principles. Losses should be minimized in proportion."

He said he was aware that some general agents or company managers make overtures to agents of rival companies but contended they were not smart to do so, taking the position that it is far better to bring new men into the business from other industries and professions. He added that life company executives agree that it is much better to leave established agents of other companies alone—"better for the business and better for the individuals." But, he said, "this practice cannot be prohibited or even seriously discouraged unless the company is willing to give intelligent financial support to the man the general agent or manager persuades to join up with their organization." "It's like prohibition," he added. "It's a swell idea but it just doesn't work."

He also touched upon the importance of building a strong home office personnel before any successful effort can be made toward expansion of the sales force, either by opening up new sales territories, or extending those already established.

## No Golf Tournament This Year

This was the first year that there has not been an American Life Convention golf tournament. Interest in the game has lagged the last two or three years. It has been inconvenient to get to a club from the Edgewater Beach Hotel and inasmuch as it is the permanent meeting place it was felt desirable to abandon the golf tournament. Furthermore, the Financial Section, which in times past held its meeting on Tuesday only, started Monday noon and a number of those playing golf desired to attend its proceedings. The golf activities have been in charge of Henry Abels, vice-president Franklin Life.

Registrations numbered 403 Tuesday morning before the real tide of visitors started to roll in. This initial attendance included mainly those attending the Legal and Financial Sections' meetings, and demonstrated the estimate of about 800 record attendance was well founded.

## AMERICAN LIFE CONVENTION NUMBER

## Asset Valuation Taken Up by Actuary Guertin

Some systematic method could be developed whereby mortgages which have been in default for some fixed period would be systematically reduced in asset value, Alfred N. Guertin, actuary of the New Jersey insurance department, commented in a talk on asset valuation as an index of security. He was firm in his conviction, however, that no fundamental change in the method of valuing bonds is necessary as an emergency measure.

Mr. Guertin said mortgage investments cannot be discussed without also considering real estate acquired by foreclosure. The New Jersey department is making every effort in connection with companies operating in the state to place the real estate asset value on

a basis which recognizes it as salvage and not as an investment worth an arbitrary number of dollars which may or may not produce the income required to provide the interest needed for reserve purposes.

## Tells N. J. Department Plan

Therefore, the department has been suggesting that every parcel of real estate carried at book value or market value based on a reasonable appraisal, whichever is lower, and that book values be adjusted from time to time so as to eliminate items other than actual expenditure of dollars in acquisition of the property which may have been capitalized in the past.

The real estate situation is less acute than it has been and it must be recognized monetary trends might make such assets extremely valuable to the life companies, he said, but the salvage nature of the assets does not warrant capitalization of future expectations in connection therewith.

"In no section of the life insurance

asset portfolio has there been more rigidity with respect to valuation than in connection with bonds and yet the method has been criticized as lacking in uniformity," Mr. Guertin said. The amortization method now established by law in most states contemplates classifying bonds in two groups, those amply secured and those not amply secured, the first being carried at the adjusted par value and the second at the price they ordinarily would bring if sold at the time of valuation. Inasmuch as states finally have agreed on a basis for determining the security of bonds for amortization purposes this is a substantial advance, but it does not necessarily mean the basis of valuation used is the best that could be devised.

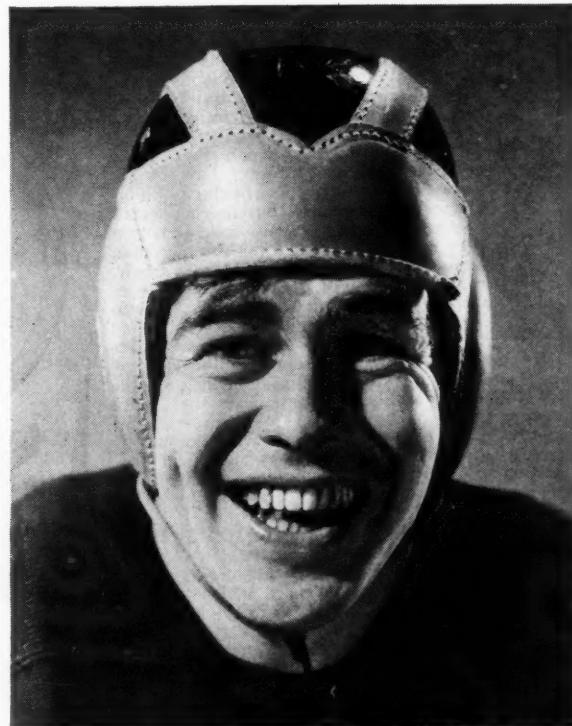
## Carried at Modest Figure

Mr. Guertin said the aggregate bond portfolios of the companies licensed by New Jersey as of Dec 31, 1940, had actual market value of \$16,226,000,000 against an amortized or statement value of \$15,593,000,000. He emphasized a plan he proposed for changing bond valuations should not be looked upon as means of meeting any existing situation.

Valuation of life companies' assets never has been more important, difficult and acute than in the last dozen years, he said. The life business has stood the



A. N. Guertin



### TRAINED — FOR REAL ACTION

Training is a keynote in GUARANTEE MUTUAL'S "Builders of Men" agency plan. Many of our most successful general agents and field representatives got their start in our two-week intensive Home Office schools. As a result, they have gone into the field better prepared to earn a better living under our liberal contract, and to provide for their retirement by means of our unique Income Continuance Plan.

For details, write A. B. Olson,  
Agency Vice President

**GUARANTEE MUTUAL LIFE COMPANY**  
OMAHA, NEBRASKA

assault of the times far better than any other important business of the country, a part of this being credited to management and the remainder to the fundamental actuarial basis on which it is conducted.

"I think it can be said that the soundness of the actuarial basis of the business which required it to maintain conservative margins for contingencies as well as the appropriate reserves for meeting those obligations which are susceptible of evaluation, has contributed in no small measure to this result," Mr. Guertin said. "However, as in all businesses, sound management is an indispensable factor for successful operation. In the life business the need for large accumulation of assets in excess of working capital arises almost entirely out of the actuarial basis, and is not the same as the need of an industrial concern for plant and equipment.

#### Unique Investment Problem

"The actuaries' assumptions in computing a level premium to cover an increasing risk create an investment problem of which there are few exact parallels in modern finance." Thus, Mr. Guertin said, the actuarial basis of the business places the investment department in the position of not only being required to find means of investing funds as they accumulate from time to time, but of being required to produce interest year in and year out at a rate which does not fluctuate over too broad limits and for an indefinite period in the future.

Of all elements involved in maintaining that equilibrium, the rate of interest earned as compared to the rate assumed to be earned is one of the most important, especially since influences brought to bear upon it under varying economic conditions are not susceptible of as exact valuation as the other factors entering into the basic equation. The future fate of a security is not subject to exact valuation, he pointed out. A portfolio of assets earning less than the return required to maintain reserves is a matter of serious consideration when valuation methods are under discussion.

#### Individual Study Required

Mr. Guertin said law requires values of assets and liabilities of life companies be fixed quite arbitrarily, with comparatively little direct recognition in statutes of relationships, real and fundamental, existing between valuation of assets and the actuarial basis on which the business is established. Operating methods and results should be considered before reaching an opinion as to the true condition of a company.

The life companies have restricted themselves quite closely to investment in the debts of others, and many students of the business feel the ideal portfolio consists of a substantial amount of mortgages and bonds, no stocks or other equities, collateral loans nor real estate, except for a home office establishment of moderate proportions maintained at reasonable cost. Derivation of a suitable rate of interest from such investments would be the major investment concern of such an organization, he said, and ordinarily be regarded as offering maximum safety to policyholders.

#### Real Estate Acquisition Inevitable

However, life companies have not been completely successful in connection with their purchases of debt structure. Inevitably, they have acquired substantial amounts of real estate by foreclosure and some equities in exchange for bonds in default. Real estate and other equities so acquired need not be considered investments in the sense they were acquired for income, but more in the nature of salvage, assets which the company ordinarily did not intend to acquire and does not intend to hold, but accepts in lieu of investments previously made which were intended to be ultimately liqui-

## Tells Results of Survey of Agency Management

Certain of the characteristics of agents are brought with them when they come into the business and are not much influenced by training, Stanley G. Dickinson, sales and research consultant of Hartford, declared in discussing the results of a factual survey of agency management methods before the members of the Agency Section, American Life Convention, at their annual meeting. Mr. Dickinson was formerly on the staff of the Sales Research Bureau.

He added, however, that other characteristics are materially improved by training and experience.

He said he hopes that it will be possible to place the data on Hollerith cards so that the relationship between various factors can be studied more closely.

The survey shows the size of the job the agency department executives still have in the way of selecting and training new men, and which, incidentally, he contended: "We never can do if we continue to prepare training courses by lifting what looks good from the courses of other companies."

#### Effect of Training

"On the subject of what a man brings to the business as contrasted with what he gains through training and experience," he continued, "there is in many circles an utter lack of adjustment between these factors and the training program. Far too many are training men in the areas where they are little affected by training, factors which they must bring or they do not ever have, while neglecting those factors which can be influenced by training, but are neglected because it is the popular conception that they must be present when the new man arrives. The facts show, for example, that training will do relatively little in improving a man's capacity to go into better circles, he must bring that when he comes. The facts also show that sales ability can be greatly influenced by training, thus leaving out in the cold the large number who believe that, once given the right type of man with the right prospects, the sale will take care of itself."

He said the first function of leadership is to provide for the lacks which exist in those who are led.

In making the survey Mr. Dickinson said he cross-examined 100 new men, analyzed their source of business and thus determined the "lacks which exist in those who are led." Once the lacks were ascertained, it was relatively simple to build the program, he asserted.

Then there was a survey of established producers during which particular atten-

dated in cash and not in kind. Mr. Guertin said if this fundamental idea is kept constantly in mind only the most conservative valuation of equities so acquired can be justified.

#### Proposes Deduction Plan

He raised the question whether a mortgage should be considered at par if the interest rate has been substantially reduced or repeated advances have been made to the mortgagor, even if the current interest rate is being paid. His idea was there should be a deduction from the asset value of such a mortgage so as to reflect the probable ultimate return thereon.

Mr. Guertin closed with comment on the need for a stable interest rate, saying the annual adjustments to the interest rate over a 10 year period averaged slightly more than  $\frac{1}{2}$  of 1 percent of ledger assets, this average net rate of return being calculated with and without reflection of capital gains and losses. The importance of the factor of stability in interest rates cannot be overstressed, he concluded.

tion was paid to the causes of serious and protracted slumps. It was found that more than one-half of these slumps were caused by circumstances unrelated to life insurance selling. In other words, even if the management methods directed at these men had been flawless, management would not have provided for the lacks in half of the cases of slumps.

The factual approach to any problem of management or leadership is the safest and surest, he asserted. Too much reliance has been placed on untested opinions than their value justifies.

#### Importance of Factual Approach

He stated that the factual approach diminishes the bad effect of the co-incident things, interesting things which happen to agree although arising from unrelated causes and not likely to agree again. He added that in the day's work, this factual approach generally results in putting the fruits of untested collaboration to the test of whether or not they are significant in the sales results. "You cannot tell the value of an idea by looking at it," he added. "Some of the most plausible are the least valuable." He stated that all agency department executives are conscious of the importance of mental attitude in management and selling.

## Legal Section Was First One Established by A. L. C.

The Legal Section was the first one established by the American Life Convention, that being in 1907. The Medical Section was formed three years later. The first chairman of the Legal Section was Dan W. Simms, general counsel of the Lafayette Life. Others of the early presidents were L. A. Dean, G. A. Deitch, Reserve Loan Life; C. A. Atkinson, Federal Life; Emmett C. May, Peoria Life; H. H. Orr, Western Reserve Life.

Harold R. Gordon, executive secretary Health & Accident Underwriters Conference, was an interested observer. Many of his member companies are in the A.L.C. and the occasion was taken to hold a luncheon of the A. & H. companies and confer on conference matters.

The Financial Section nominating committee included A. J. D. Morgan, assistant general manager of Great-West Life; George C. Holmberg, vice-president and treasurer of Northwestern National Life, and Frank J. Travers, second vice-president of Lincoln National Life. The latter two are past chairmen of the section.



..... as always, for all progress and advancement of the aims, ideals and accomplishments of this great institution of Life Insurance.

Southland Life executives will watch with interest, and participate in the proceedings of the American Life Convention in Chicago—and, as always, will seek to profit from them with new thoughts, new plans, and new aspirations.

More than 33 years old;  
more than 33 millions in  
assets for your protection.

## SOUTHLAND LIFE INSURANCE COMPANY

A. Morgan Duke, President  
HOME OFFICE — DALLAS

## Decentralization of Cities Is Affecting Property Values

### Whitnall Tells Effect of Auto, Fluid Population on This Type of Investment

Decentralization of cities and the effect of the automobile in making a "fluid population" for about two decades have been causing many urban centers to go through a process of disintegration, with tobogganing of land values, which was heightened by the depression, Gordon Whitnall, city planning consultant, director-manager Los Angeles City Planning Commission and faculty member of Urban Land Institute, Chicago, declared in a talk on "Urban Disintegration and Future of Land Investments."

At least two decades ago, he said, it became apparent to a few who had specialized in studying cause and effect as bearing upon urban developments that the then orthodox type of city and its functioning was developing within itself a germ that ultimately would destroy its host, or at least cause such substantial changes as to force a radical reevaluation of almost everything that makes a city. Nation-wide attention now is being focused upon the problem, he said, through the instrumentality of the Urban Land Institute.

#### Depended on Land Values

Many interests built their business in complete reliance upon the permanency of land as an investment, he said. Public officials looked to this land for the tax revenue with which to perform an ever-increasing number of essential public services. However, the spring from which flows the principal stream of urban taxes is now rapidly drying up through the spectacular shrinkage of values in the commercial centers of American cities. The public itself finds its habits of living being completely rearranged.

The decentralization and disintegration of cities are nationwide and present in practically all cities regardless of size, differing only in degree.

Necessity has brought the country to the threshold of the day when in the design and construction of cities, just as in the case of individual buildings, functions must be considered and the component parts designed for specific uses. He said this concept is not theoretical, but the beginning already has been made.

#### Cities of Future May Spread

The community of the future may not "stay put," he said, but it will further emphasize the transitional trend of the

moment by being somewhat more widespread and with a universal less load on the land. Earnings capacity of land, although somewhat decreased, should be more stable. There will be, he said, a gradual termination of the terrific losses that have dominated the growth and expansion of cities in the past through this scrapping of vast investments in one type of use to make way for their partial reuse by another type of use.

Mr. Whitnall contrasted this development with the ancient belief that land was the one permanent stable thing. "All human history revolves around the possession of land and its use," he said. "When we look back to the present in the perspective of years to come, we will probably realize that the apparent instability of land today is actually nothing but a breakdown of a more or less artificial structure of value that man in his shortsightedness has erected upon land.

#### Land Itself Not to Blame

"Land itself is doubtless as stable today as it ever has been, and it always will be. It has been consistently shown that spectacular upsets in the equilibrium of man's existence is not evidence of a breakdown in nature's laws, but every time it has revealed a frailty of human institutions and practices. Nature's laws seem to be unchangeable and basically simple. It is man's ignorance of or his ignoring of these inescapable forces that have always led to complications and often to disaster."

He especially directed attention to the so-called commercial properties found in business districts of American cities and to causes and conditions that in the last few years apparently have caused the bottom to fall out of their land values.

Decentralization came about by establishment of new business enterprises at what might be termed crossroads, which developed into neighborhood centers and finally evolved in many instances into major satellite communities, often with their own political identities as separate incorporated municipalities. In time visible disintegration occurred in the metropolitan center although the surrounding communities resembled satellites around the sun in a great solar system.

#### Other Factors Responsible

There came branch banks in outlying sections, and later individual business establishments set up branches or moved bodily to the outskirts. Some had insufficient strength left to move and just died, he said.

In the 10-year period 1930-40, the population of Los Angeles increased 260,000, the average building height in the central business district shrank from 4½ to 3½ stories and official assessed valuation of all properties in the area dropped 60 percent. This, he said, was an actual picture of disintegration in the fifth largest city and is not unique in the nation. The proportion of people going to the central district daily by common carrier transportation showed a decreasing trend while the proportion using private automobiles was on the increase. An effort was made to stop the movement away from the center by

(CONTINUED ON PAGE 16)



Ferre C. Watkins, counsel liquidation division Illinois insurance department, speaking at Legal Section luncheon with E. A. Roberts, vice-president Minnesota Mutual, chairman Legal Section; F. H. Nash, vice-president Columbian National, and Ralph H. Kastner, assistant counsel, A. L. C., at head table.

*The Friendly Company*  
**Congratulates**

officers and members of the American Life Convention on the splendid work accomplished throughout the past years and sincerely wish for you the continuance of your work for the years to come.

The Friendly Company extends its best wishes for a grand convention to you—one and all.

**PEOPLES**  
**LIFE INSURANCE COMPANY**  
**FRANKFORT, INDIANA**

*"The Friendly Company"*

## Joint Study of Mortgages Urged by W. B. F. Hall

Says Need Exists for Mortality Study in Investment Field

Some form of joint study of mortgages comparable to that of mortality conducted by the life companies was recommended in a talk by William B. F. Hall, second vice-president Lincoln National Life, on "What We Don't Know About the Mortgage Business." Companies, he said, have made individual studies but the greatest weak point about this is the lack of a sufficient number of cases to make these studies significant, and the fact there is no standard mortality table in existence against which to compare this mort-



W. B. F. HALL

gage experience with the individual. "When we hear a discussion concerning a certain company's favorable or unfavorable mortality ratios, it presumes a standard or comparison with all other life companies," Mr. Hall commented. "In the mortgage, however, we have only the roughest estimates for comparison, and when we know that we are having trouble in a certain territory, unless we can check it against the experience of other companies, we do not know whether this indicates a weakness inherent in the area, or a fault on the part of our correspondent, or a weakness in our own selection of the mortgage risks, or a faulty choice of the type of security in which to invest our funds. In such cases we usually know that we are sick, but we don't know why."

### Compares Record of Agent

"When we run a tabulation of one of our agent's business and find that he has a first year lapse ratio of only 5 percent, we are able to say that this record is excellent because we can obtain a standard for the entire company by running a similar tabulation on all our business. Similar tabulations of our mortgage punch cards by correspondent would undoubtedly give us many interesting facts concerning his individual operation."

Mr. Hall said the procedure could be both simple and inexpensive and at least some benefit probably would result to those joining in the effort. In

the simplest form the punch card would need to have code for only four basic types of information: date, terms, source of loan; nature and geographical location of the security; loan ratios and final results.

These cards, he said, either could be made up from the records of loans made in the past or made only on new loans in the future at the time the other loan records were made. He said, probably some advantage would result by making the entire study retroactive to some such date as 1933 so that the companies could get a picture more quickly of the actual experience with loans made in the post-depression era. Later if another depression should come, they would at least have the experience of one complete cycle to study. These cards or tabulations made from them, if made available to a central bureau, he said, could form the basis for a number of individual studies that at the time might prove of interest to participating companies.

### Cites FHA Method

Mr. Hall expressed the conviction the cost of such a mortgage mortality study would be the least significant item. A few companies have already made individual specialized studies of their own mortgage experience and the FHA is already doing a fine job by checking its own numerical method of mortgage risk underwriting against its actual experience.

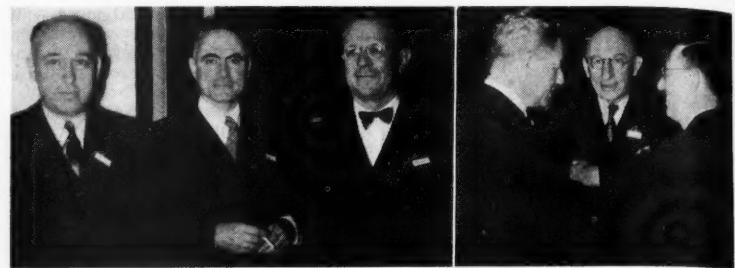
Figures of a company which made an individual study show a new card can be punched for each new mortgage at a cost of not more than 1 cent. This company in 1938 investigated 6,134 mortgages made prior to 1933 and which had been severely seasoned by depression history. Total volume involved was \$54,000,000 of loans and total cost of investigation was not over \$1,000. If this company learns enough from the study to save a loss on only one loan, the investigation would have well paid for itself, Mr. Hall said.

The greatest single thing wrong with the business of buying mortgages, he said, is that the life companies do not know how to "navigate by instruments." They are still flying "with the seat of our pants." Each company's investment department constantly is being bombarded with a barrage of rumors of what other companies are doing and offering. From other sources come other rumors of unknown competitors. There is no such thing as a "rate book" in mortgage investments. Mr. Hall asked how in the absence of any actuarial evaluation of mortgage risks is it possible for the investment official to combat the rumors that supplant the rate book. Next he asked how is one to solve the problem of mortgage twisting. In life insurance selling, it is considered unethical, if not illegal, to induce a man to drop his present policy for one which skillful persuasion can make appear to hold more advantages for him. In the mortgage business, said Mr. Hall, "The raiding of the other fellow's portfolio seems to be a favorite indoor sport."

### Finger-Burning Experience

Then there is the great amount of useless processing and investigation of cases which are hopeless to start, and the occasional finger-burning experience of making a mortgage commitment when the offering has been rejected in so many other places that the applicant learned how to cover all the weak points.

He cited the joint mortality study of the American life companies and asked why this same most natural procedure could not be followed by the mortgage departments. Almost every life company has its punch card system for mortality study with thousands of cards which can be thrown into "an iron actuary" that adds everything up and brings out the answers. This same machinery easily could be employed for mortgage study, Mr. Hall said. The cards could be sufficiently standardized to facilitate joint studies, thus giving a



C. L. Peterson, associate counsel Ohio State Life; D. J. Hoskins, general counsel Columbus Mutual; M. W. Mangus, general counsel State Life, Ind.; L. F. Lee, president Occidental Life, N. C. and Peninsular Life; P. D. Gold, Greensboro, N. C., president American Life Convention 1912-13, now member of Board of Veterans Administration; H. V. Schenck, vice-president Life of Virginia.

first approach to standards of risk and quality in underwriting mortgages. Such study might disclose how the terms of the mortgage influence risks, whether the level monthly payment loan with its small initial amortization is hazardous, whether a 25 year loan is really as bad as most investment men think it is.

He concluded that while mortgage mortality is not so steady a factor as human mortality and that there is no way of telling whether statistical studies of mortgage mortality would be of any benefit whatever, still he believes they would do no harm. And in any event the mortgage business is much more drastically affected by cycles than the life business by wars and epidemics and the relationship of mortgage risks to relative conditions of national prosperity is in itself one which would bear a great amount of statistical research.

## YOU ARE RENDERING PATRIOTIC SERVICE

The LIFE UNDERWRITERS of America—the men who are encouraging our citizens

- to save instead of spend
- to make certain the future welfare of the family
- to provide emergency funds for difficult years
- to assure comforts and the necessities for retirement

are truly rendering a highly important service to individuals and the Nation.

Likewise, OFFICIALS OF COMPANIES, in American Life Convention assembled, imbued with the responsibility and trusteeship that is theirs in wisely investing policyholders' funds and furnishing sound life insurance to fit present and future needs, are rendering a patriotic, as well as economic and social service, to the Nation.

## INDIANAPOLIS LIFE INSURANCE COMPANY

A Legal Reserve Mutual Company, Organized in 1905

"Quality, Service and Safety, First"

EDWARD B. RAUB A. LEROY PORTTEUS A. H. KAHLER  
President Vice-President 2nd Vice-Pres. &  
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Operating in Indiana, Illinois, Texas, Ohio, Michigan, Iowa, Minnesota and California

## Col. Robbins Notes New Move Toward Federal Control

Much of the annual report of Col. C. B. Robbins, manager and general counsel, was taken up with comment on national problems, including the possibility of war, and especially dealing with the Temporary National Economic Committee and the move toward federal control of insurance.

"At the present time," Colonel Robbins commented, "the only suggestion in Congress regarding any measure of federal control is in a bill introduced by Representative Wright Patman of Texas, for insurance of life insurance by the federal government, by the creation of an institution similar to the FDIC and other federal insurance institutions. It is very apparent that if the federal government has the right to insure life insurance some department would have the power to examine and supervise the investments of the companies so insured."

### Comments on Defense Program

"The war in Europe has had a profound effect upon America. The issue of that conflict is still in doubt. In America the movement for national defense, begun during 1940, has been carried on steadily throughout the present year, with money being provided by the Congress in unlimited amounts. Every man conversant with military matters has long known that it would be impossible to prepare America for adequate defense in less than 18 months, no matter how much money Congress might authorize for expenditure in the meantime."

"It is too late for recriminations. . . Billions are being spent and billions will be spent in the next year in an effective but wasteful effort to assure the defense of America which the nation should have had during the past two decades. In the end we will have a gigantic defense system, much more than would be necessary at any ordinary period in the world's history."

"Whether or not America is drawn into the European conflict, it seems to me it is our duty as patriotic Americans to see to it that in the future this nation is provided with an adequate system of national defense, avoiding not only the wastage of billions of dollars in a frantic effort to arm overnight, but also the possible wasting of thousands of lives of our youth because of a state of unpreparedness. I believe that the coming year will force the decision as to whether or not America becomes involved in a shooting war. Let us earnestly pray that whether we do or not, the nation will be adequately armed and equipped for its ultimate defense against any foe in the world."

### America Not United

"More serious perhaps than the prospect of America becoming involved in the European war is the division of opinion among the American people at the present time. Regardless of the question whether or not we should become involved in the war, it will be a tragedy if America should enter it as a divided

people. There has been no time in the history of our nation when unity of thought and action among the citizens of the United States is so imperative as at present, yet day by day we see a widening rift between two schools of thought."

"Apparently everyone is united on national defense, but a proportion of the people fear becoming involved in the present struggle. Without expressing an opinion as to the propriety of such an action, it might be well to call attention to the fact that Hitler's success in Europe has been due largely to his ability to stay friendly with one nation while he conquered its neighbor, and by this policy he has avoided any desperate all front struggle. It seems hardly probable that, should he conquer Europe, America would escape a war, and one that in all probability we would be fighting alone."

In connection with the TNEC report, Colonel Robbins said some of the recommendations were praiseworthy and should receive careful, earnest attention of companies and state supervisory officials. However, "in spite of continuous efforts to show dishonesty and weaknesses in the management of life insurance by numbers of the SEC investigating staff, the institution of life insurance came through the entire investigation with colors flying and with the renewed confidence of its policyholders."

### Expect New Tax Proposal

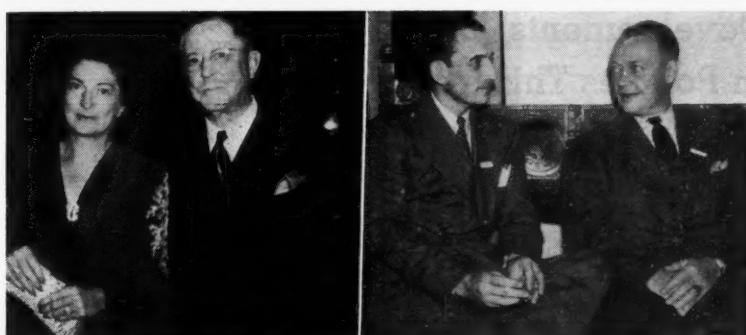
Colonel Robbins discussed federal taxation, noting the new revenue law has surtax provisions which probably may be held to apply to life companies, although there is no taxation of life insurance as such provided for in the act. Such a provision, Colonel Robbins emphasized, probably will be found in a supplementary revenue bill expected to be introduced soon. In none of the many negotiations with government officials and departments has there been an admission made that life companies are engaged in interstate commerce.

Colonel Robbins especially praised the work of Ralph H. Kastner, associate counsel who handles the legislative bureau and tax bulletin service, noting the heavy tide of measures this year and commenting there is no man in America with more knowledge and ability to handle the legislative bureau than Mr. Kastner. F. E. Huston, actuary and secretary, also had a very busy year.

New members admitted in the year were United Services Life, John Hancock Mutual, Standard Life of Jackson, Miss., and North American Life & Casualty. The membership now includes 159 companies.

### Daylight Saving Complications

Chicago daylight saving time extending into October caused much confusion. Up to this year daylight saving ended the last Saturday in September. But the council extended the period one month. All other cities that have been operating under daylight saving time have returned to standard time. Members from other points attending the convention and not knowing of the situation in Chicago were operating on central standard time, which caused considerable delay especially in the Legal Section until the people became acquainted with the situ-



W. Lee Baldwin, president of Security Life & Accident, and Mrs. Baldwin; T. P. Beasley, president, and R. K. Du Vall, vice-president of Republic National Life.

ation as it exists in Chicago at this time.

One of the old-time presidents of the American Life Convention, P. D. Gold, was present this year. He is now a member of the board of appeals of the Veterans Administration in Washington, D. C., having been appointed to that office in 1934. At the time he was president he was with Jefferson Standard Life. Jefferson Standard has had four

presidents including the present one, Julian Price. The others were the late Charles W. Gold and George A. Grimsley. P. D. Gold was elected president in 1912.

All the conventioners were greatly interested in the **World Series baseball game** Monday and it was necessary to keep those advised in the meetings that were being held as to the progress of the game.



## So He Bought Himself an Island!

Riptide was one of Brooklyn's teeming millions—a piece of flotsam jostled in the subway torrent; who gulped his lunch in the Automat; attended second run pictures at the neighborhood movie, sweltered each summer in a Flatbush walk-up apartment, and practiced crop rotation in a window box. . . . And then one day he got fed up on it all. He was sick of the crowds and sick of the bustle and hurry. Sick of being nobody in a town of seven million. . . . So he bought himself an island in the South Seas, and now he is top man—lord of all he surveys.

Scores of Franklin General Agents in small towns all over the country are thrilled by the same sense of importance which now thrills Riptide. They are important men in their communities. With good incomes from their attractive general agency contracts, they are respected and admired by their neighbors.

If you yearn for success and importance, investigate the opportunity for a direct Franklin Home Office contract in your community, before you buy yourself an island.

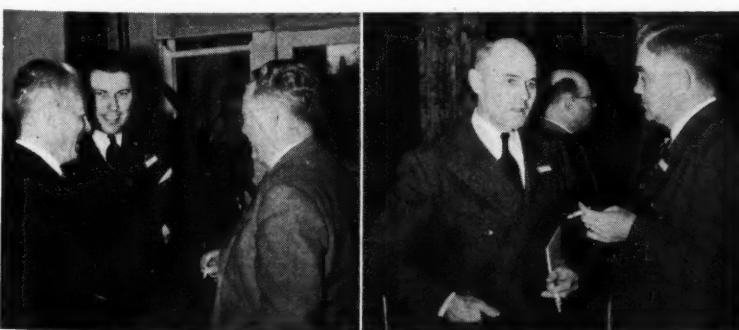
## The FRANKLIN LIFE INSURANCE COMPANY

Springfield, Illinois

CHAS. E. BECKER, President

Founded 1884 — More than \$200,000,000.00 Insurance in Force

One of the 15 Oldest Stock Legal Reserve Life Companies in America



J. C. Higdon, vice-president Business Men's Assurance; H. R. Hutchinson, vice-president American Reserve; E. E. Shurtliff, vice-president Victory Life, Kan.; Insurance Director Fraizer of Nebraska; H. J. Brace, secretary Occidental Life, Cal.

## Developments Seen in Policies This Year

(CONTINUED FROM PAGE 7)

catastrophe hazard not contemplated in the premium rates.

Many stock companies are placing increased emphasis on participating business apparently because of the additional security which it affords and the unfavorable outlook as to interest yields, taxes and other expenses, and the mortality contingencies as to war and epidemics. Two stock companies recently entered the participating field; a third company discontinued all but two non-participating policy forms; and other stock companies writing both classes are generally showing marked increase in the proportion of business issued on the participating basis.

As to the trend of mortality experienced by life companies, the mortality table recommended recently by the commissioners' non-forfeiture committee indicated a decided improvement in mortality at the older ages, as well as at the younger ages. The table represents the rates of mortality experienced from 1925 to 1940, to which was added a suitable margin for mortality fluctuations and contingencies. The basic mortality rates, without the margin, when compared with the corresponding mortality rates of the American Men table (experience from 1900 to 1915) indicate the improvement in the mortality for an average period of 25 years. The following table reflects the improvement at representative ages.

Death Rates per 1,000

Age	Basic Values of		Im-	Per-
	Am. Men 1941 Table	1925-40		ment in centage
15	3.46	1.30	2.16	62
25	4.31	2.01	2.30	53
35	4.78	2.79	1.99	42
45	7.94	6.24	1.70	21
55	17.47	15.40	2.07	12
65	40.66	36.13	4.53	10
75	91.94	81.05	10.89	12
85	197.07	178.98	18.09	9

### Actual Mortality Reduced

Thus, the above figures indicate that during the past 25 years the actual mortality cost per \$1,000 of insurance has been reduced more than \$2 at the younger ages, somewhat less than \$2 at the central ages, and a much greater reduction at the older ages, the reduction being \$10.89 at age 75 and \$18.09 at age 85. The percentage improvement, on the other hand, decreases with an increase in age from 62 percent improvement at age 15 to about 10 percent at age 85. The expectation of life has increased during the 25 years by 3.6 years at age 15, 1.8 years at age 35, 1 year at age 55 and .6 year at age 75. Such recent death rate at age 15 is only 17 percent of the corresponding death rate of the American Experience table, 25 percent at age 25, 31 percent at age 35, 56 percent at age 45 and approaches the same percentage as shown by the American Men table at the older ages.

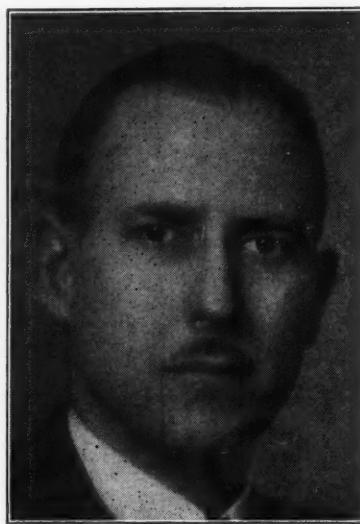
It is also of interest to note that for ages above 53 the improvement corresponds very consistently to setting back the American Men mortality rates one and one-half ages (varying between 1.4 and 1.6 ages for quinquennial ages 53 to 86, inclusive). This indicates in effect that during the past 25 years death has been deferred one and one-half years for ages above 53 and deferred a much greater period for younger ages. This is particularly significant in view of similar adjustments made during recent years with respect to annuity tables.

### NONFORFEITURE PLAN

Another development which may affect the future of life insurance is the recent "non-forfeiture" model legislation, proposed by the commissioners' committee "To study non-forfeiture benefits and related matters."

It may be of interest to very briefly review a few of the most practical ad-

### Policy Developments Noted for This Year



F. E. HUSTON

Secretary and Actuary F. E. Huston of the American Life Convention gave a paper before the general session reviewing the policy developments of 1941. It attracted much attention.

vantages which would appear to be derived from the enactment of the proposed legislation.

(1) During the past year 62 member companies increased non-participating premium rates, but only 25 adopted a more conservative reserve basis principally because a general increase in surrender values would also be necessary. The requirement that cash values must be within \$25 of the corresponding reserves is neither logical nor equitable as it discourages the adoption of more conservative reserves and oftentimes means that the resulting higher cash values are paid to the withdrawing policyholders at the expense of the continuing policyholders.

To remedy this situation the model legislation proposes to eliminate such artificial connection between reserves and cash values. Only one scale of minimum surrender values is proposed which is entirely independent of the reserve basis employed. Thus, the reserve basis could be changed for new issues without affecting the existing scale of surrender values.

(2) At the present time many companies also would like to strengthen their reserves on old business due to the continued downward trend of interest yields. This commendable procedure, however, is hardly possible for two reasons. The additional reserves are not recognized by statutes and therefore would be treated as surplus in states which limit the amount of surplus funds maintained. This would defeat the purpose of the additional reserve. Secondly, there is the danger that a company might be required to increase its cash values on such old business to within \$25 of the increased reserves.

#### Would Increase Reserves

To remedy this situation the proposed legislation would permit companies to increase reserves on business previously issued subject to the approval of the insurance commissioner. Thus, in times of continued low interest yields, it would be possible to strengthen reserves on old business. Conversely when interest yields return to normal levels, it would be possible to decrease the reserves subject to minimum reserves permitted by law and the approval of the insurance commissioner. Such changes would be recognized by statute and cash values would not be affected.

(3) Under present laws, gross inequities exist with respect to the extended insurance benefit. At the younger ages

the extended insurance policyholder receives in value less than one-half of the cash value when related to actual mortality. This is due to the requirement in certain states that the insurance non-forfeiture benefit must be the "mathematical equivalent" of the cash value according to the table used for reserve purposes, generally the American Experience table. Thus the period of extended insurance is determined according to mortality rates experienced prior to 1868, which results in greatly overcharging the young withdrawing policyholder who elects extended insurance rather than taking his cash value.

Since heavy payment of cash values may result in forced sale of assets, any penalty applied to withdrawing policyholders should be applied to those withdrawing cash rather than to those electing extended insurance or reduced paid-up insurance.

To remedy this condition the proposed legislation would not require that the non-forfeiture benefits be mathematical equivalents. The only provision in that regard would be that the net value of the insurance non-forfeiture benefits must be at least equal in value to the cash values. Thus, the withdrawing policyholder electing extended insurance or paid-up benefits would receive at least as much in value as if he had taken

the cash value. Furthermore, the model legislation specifies a modern mortality table for the calculation of the non-forfeiture benefits, thus promoting equity to withdrawing policyholders as well as to continuing policyholders.

#### Cash Values Keyed to Reserves

(4) At the present time the cash values are keyed to the reserves. This is neither logical nor does it promote equity, since reserves and cash values are diametrically opposed both as to fundamental basis and purpose. The reserve is a measure of future obligations, whereas the cash value is a measure of past transactions representing principally the accumulation of premiums paid by a policyholder less his proportionate share of expenses and mortality costs. Such accumulations are commonly referred to as the asset share.

To remedy this situation the proposed legislation specifies minimum cash values which in effect are based on the asset share theory, that is, premiums paid by a policyholder less his share of expenses and mortality costs. Since expenses differ substantially among companies both as to the amount paid and the amount charged to the early policy years, the model legislation limits the expense allocable to the several policy forms. For instance, the expense which

## The Job of Selling

LIFE insurance is really money for women, children, and elderly people; to provide bread and butter, a roof over their heads, and some of the comforts of life. In most cases this money would not be available except for the job of selling done by the insurance agent. According to records, the majority of our families have received little or nothing but life insurance money when the head of the family died.

*Massachusetts Mutual*  
LIFE INSURANCE COMPANY  
Springfield, Massachusetts  
Bertrand J. Perry, President

## OFFICERS OF FINANCIAL SECTION



GRANT TORRANCE, Business Men's New Chairman



E. A. CAMP, JR., Liberty National Vice-Chairman

Roberts stated that Mr. Price had arrived at the point where he was wearing trousers with a cuff.

## Joint Committee Sessions

There were a number of important committee meetings at the Edgewater during the sessions, participated in by A.L.C. and Life Presidents representatives. A joint wage and hour conference included some Life Office Management Association men. Then there was a joint committee meeting on blanks, with A. N. Guertin, actuary New Jersey department, sitting in, as well as representatives of the Illinois department. The joint A.L.C. and Life Presidents committee on taxation held a long discussion, coming to no final conclusions, it was said. The joint nonforfeiture values committee met, taking up the proposals recently made the commissioners by the committee of which Mr. Guertin is chairman. Finally, the agency compensation committee, a joint group composed of A.L.C., Life Presidents, Agency Officers and general agents representatives, with M. A. Linton, president Provident Mutual, as chairman conferred. In addition, the A.L.C. executive committee as usual met almost continuously, taking up many matters.

## Defense Savings



GALE F. JOHNSTON, Washington, D. C. Field Director, Defense Savings Staff

may be allocated to the whole life policy is limited, for this purpose, to the sum of (1) \$20 per thousand, representing the cost of issuance and (2) 65 percent of the net premium, representing the excess of the heavy initial commissions over the renewal commission. The \$20 allowance applies to all plans, whereas the commission allowance varies as to plan somewhat in line with the present pattern of first year commission rates. To determine the proposed minimum values, a specified net level premium rather than the gross premium is employed, thereby leaving the balance of the gross premium free to take care of other expenses which remain fairly constant from year to year. The resulting proposed minimum values appear to provide a suitable basis when compared with values currently used.

## Need for Modern Tables

(5) There is great need for modern mortality tables from the standpoint of better public relations. The use of modern mortality tables would do much to correct the misunderstanding of the public that insurance companies are receiving enormous mortality profits and that the policyholders are paying an excessive cost for their insurance as a result of the use of obsolete tables. In some states the only table permitted by statute is the American Experience table which was established in 1868 and shows mortality rates as much as 500 percent of current experience at the younger ages. The American Men table, generally considered to be a modern table, reflects mortality experienced between 25 and 40 years ago. At the younger ages the mortality rates of this table are about 250 percent of current rates.

## Reserves Little Affected

The principal reason for the continued use of obsolete mortality tables is that despite the wide variance in mortality rates of the several tables, it makes very little difference what mortality table is used for reserve purposes. It has been estimated that the aggregate reserves of a well established company will differ less than 2 percent when valued separately by the American Men table and a modern table. Thus, the American Experience table continues to be a satisfactory basis for reserves although it produces gross inequities as to nonforfeiture values.

The mortality table proposed by the model legislation is based on recent experience (1925-1940) and contains a suitable margin for mortality fluctuations and other contingencies. The mortality margin provides also a means of meeting the needs of an expense margin

with respect to extended insurance, reduced paid-up insurance and fully paid-up insurance.

(6) At the present time the nonforfeiture benefits are guaranteed for the entire term of the contract, presumably upon conservative assumptions with respect to future experience as to interest, expenses and mortality. The model legislation gives effect to the committee's recommendation that provision for surrender dividends be required for all participating policies, where the valuation rate of interest is lower by at least one-half of 1 percent than the rate used in calculating the cash surrender values. The purpose of such dividend is twofold: (1) Provision may thereby be made for the making of a final adjustment settlement with the insured upon surrender in light of asset shares actually accumulated; and (2) provision may be made for liquidation of securities in event of heavy payment of cash values during times of depressed market values, by guaranteeing ultra-conservative surrender values and declaring such surrender dividends from year to year as conditions permit.

Not the least important development during the past year or so has been the discarding of the terms "mortality profit" and "ratio of actual to expected mortality," which were nothing more than comparisons of current mortality with that shown by the American Experience table published in 1868. If used, it should be properly described by some such statement as: "The mortality of this company during 1940 was only 50 percent of the mortality experienced more than 75 years ago." Following this statement there should appear in bold type the slang epitaph, "So what!" Mr. Huston commented.

More specific details as to particular companies adopting new policy forms will be included in final paper.

## Price Wears Hat at Legal Section

Julian Price, president American Life Convention, who universally wears his hat on all occasions and is accompanied by his walking stick, appeared at the Legal Section Tuesday morning to give greetings, as he did not arrive in time for its first session. Chairman E. A. Roberts, Minnesota Mutual, stated that Mr. Price was in the room and was prepared to say a word or two. He suggested that perhaps Mr. Price would feel more comfortable if he kept his hat on while he made a talk and leaned on his cane. He appointed Allan Brosmith, Travelers, to escort him to the platform. Mr. Price started speaking with his hat on but later laid it aside. Chairman

# VICTORY ON TWO FRONTS

is the happy lot of the man who is armed with both Life and Accident-Health contracts.

When the prospect hesitates before a sales approach from one side, the field general with a two-front contract attacks from the opposite side.

And—for a simultaneous assault on ALL of the prospect's personal insurance needs, FEDERAL offers the Streamliner—a combination Life, Health, Accident, Hospital policy.

# FEDERAL LIFE INSURANCE COMPANY

ISAAC MILLER HAMILTON  
Chairman

L. D. CAVANAUGH  
President

CHICAGO

## Johnston Asks for Defense Bond Aid

Defense savings bonds represent the most important insurance in American history—insurance of free enterprise and a democratic form of government—Gale F. Johnston, field director of the defense savings staff, Treasury Department, declared in a talk at the general session Thursday afternoon. Mr. Johnston is group supervisor of Metropolitan Life on leave of absence from the St. Louis office. He urged the A. L. C. companies to get strongly behind Defense savings bond sales.

"The defense savings program is underwriting the lives of Americans," he said. "We are vitally interested in preserving a financial structure which will permit the continuation of provisions for individual security. The government is supplementing a sound insurance system with a plan designed to strengthen and augment our internal well-being."

In the first five months of the program more than 1½ billions of the bonds and stamps were purchased. Since May 1 Americans have purchased about six million individual bonds and approximately 60 million individual defense savings stamps. There has been no high pressure; the campaign was educational, rather than emotional. There is no quota or time limit. It is designed for the long haul, to siphon off a goodly portion of the nation's increased income, rather than for individuals to buy out of capital accumulated. The only goal is to have every American man, woman and child purchase a defense security regularly and systematically. In the past, he said, the federal government found it expedient and inexpensive to finance a major part of its deficit by selling its securities to banks, insurance companies and other institutional investors, but to finance the huge deficits which must be incurred during this emergency it was deemed best to take the appeal directly to the people.

### Huge Expenditures Ahead

Total expenditures of the federal government for the fiscal year to end next June 30, will be approximately 24½ billions, Mr. Johnston said, and receipts are estimated about 12 billions. National defense will account for 18 billions. The billions raised through purchase of defense bonds and stamps by the public will obviate the necessity for the Treasury Department to float securities on the open market in the amount the sale nets the Treasury. The Treasury is anxious to spread its securities as widely as possible. Public debt obligations are actually deferred purchasing power. The country is on the verge of a spending spree, he said, which if unchecked, will leave the economy seriously crippled. A philosophy of thrift must be taught and practiced. An owner of a share in the government becomes a better citizen, according to Mr. Johnston.

"It is our hope that all life insurance companies will cooperate," he said. "We believe they will do so. Insurance company executives are far sighted. They believe in reserves for an uncertain future."

"Already many prominent life insurance companies have established payroll allotment plans for defense savings. They report remarkable acceptance by the agents and employees. They have advertised defense savings. They have established stamp banks. They have purchased bonds to the limit of their eligibility."

"The National Association of Life Underwriters has made an 'all out' pledge to work for the success of this program, in the belief that they are among the foremost teachers of thrift and saving in the land."

"It is the belief and hope of the Treasury that the life insurance companies will become enthusiastic partners in this mighty undertaking."



E. A. Camp, Jr., treasurer Liberty National Life, secretary Financial Section; P. B. Coleman, head investment department Farm Bureau Life, O.; Grant Torrance, treasurer Business Men's Assurance, vice-chairman Financial Section. H. B. Clapp, legal department Massachusetts Mutual; Maj. W. C. Wells, vice-president Lamar Life.

## Decentralization of Cities Is Problem

(CONTINUED FROM PAGE 11)

street openings and widenings, a program in which some \$200,000,000 was spent, but the trend of daytime population in the downtown district continued to descend.

No single mechanical factor has contributed so vast a change in this respect as the automobile, he said. Before automobiles a population was a relatively immobile mass, never moving beyond the limited radius of shoe leather. Most profound changes in individual and mass habits have come with this new fluid quality of urban population.

## Study Supervision and Motivation

(CONTINUED FROM PAGE 5)

mon, that the business of small, temporary producers is more profitable than the business of large, permanent producers, because the renewal commissions may revert to the company or general agent, overlook the cost of induction and maintenance, figured on a per capita basis, and the effect of combining it with a high rate of turnover.

He then added, "Whatever may be the purpose of vested renewals to the agent, the system has had one result which may not have been intended in the first place; it subsidizes a man when he leaves his company and goes to another. The agent is certainly entitled to change companies if he wants to, but the subsidizing, by all fair rules of logic, should be done by the company who gets him, not by the company who loses him."

### Viewpoint from Mars

"A man from Mars, observing these things, might conceivably conclude that turnover is high and per capita production is low because a lot of people really want it that way. Of course he would be wrong, but we couldn't blame him for making that deduction."

"At any rate, the improvement made in certain quarters, by those who have put their brains, their hearts, and their backs into it, shows that it can be done."

On the matter of the expense in dollars and cents of this heavy turnover, he said that their study shows, as was to be expected, that the established agent is a valuable asset to the company.

### Study Agency Structure

He said that if leadership is to be good, "we must be very sure that we know our own minds and that we need to make a real effort to study the agency structure; to clarify and restate our objectives and to examine our methods, so as to make sure that no future historian can say of the men in the life insurance industry: 'They were able men with a grand idea; what a pity it was that they lost out because they couldn't keep pace with a changing

## Numerous Commissioners Are A. L. C. Guests

There was a formidable battery of insurance commissioners on hand. On Monday the new Missouri superintendent, E. L. Scheufle, Kansas City attorney for 17 years and chairman of the Jackson county Republican committee, was introduced. Insurance Director C. C. Fraizer of Nebraska also registered, as did Commissioner J. M. McCormack of Tennessee. Superintendent John A. Lloyd of Ohio was accompanied by Actuary W. A. Robinson. Paul F. Jones, Illinois insurance director, attended the casualty convention at White Sulphur Springs but got back to Chicago to extend greetings on behalf of the National Association of Insurance Commissioners. From his office there were F. R. Young, attorney; Lorenz Jost, chief examiner; R. R. Hafner, actuary, and N. P. Parkinson, assistant insurance director.

It is traditional in the A. L. C. for the headquarters office and the American Service Bureau, its affiliate, to assign most of their local staffs to render service at the annual meeting. In addition to Col. C. B. Robbins, Ralph H. Kastner, M. E. Benson, F. E. Huston and V. A. Lutnicki of the staff of the A. L. C. had nine of its personnel on the job at the registration desk. These were Mildred Hammond, assistant secretary; Lillian Wille, assistant treasurer; Helen C. Johnson, Dorothy Bridwell, Colonel Robbins' secretary; Ida Weber, Flauzel Barnett, Marcelle Pfaender, Lyle Workman and Doris DeVries.

R. H. S. Brillante, agent of the Occidental Life in Honolulu, who is a member of the Million Dollar Round Table and attended the National Association of Life Underwriters convention in Cincinnati, stayed long enough to be present at the American Life Convention meeting and met a number of his home office officials.

## Our BEST YEAR

1941 has brought to Republic National Life:

- Larger Agency Force
- Increased production of Insurance
- Higher attainments by Personal Producers
- Additional services to Policyholders
- A perfected Lifetime Increasing Income Plan for Agents
- A modern Training Course
- Our greatest year in business, with every indication that 1942 will be far greater

Trebled in the past five years—one of the Southwest's fastest growing companies.

## REPUBLIC NATIONAL LIFE INSURANCE COMPANY

Theo. P. Beasley, President

Dallas

HOME OFFICE

Taxes



John Weaver, Chicago attorney; F. L. Jones, vice-president Equitable Society; and girls at information desk: Back row, Helen Johnson; Marcelle Pfaender; front row, Dorothy Bridwell, Ida Weber, Flauceil Barnett.

## Urges Fight on Sources of Inflation

(CONTINUED FROM PAGE 6)

conomic security, adopted a number of measures to this end.

Dr. Nadler discussed some of the laws passed during the past few years, those providing our system of social security, old age pensions, unemployment relief, federal housing laws, etc.

"This change in the concept of government that has occurred during the last few years is not only here to stay," he continued, "but one may reasonably assume that, as a result of the emergency which prevails in the country and as a result of the great economic and social changes that have taken place as a result of the war throughout the entire world, the function of the government is bound to be broadened. The developments that have already taken place and those that are bound to come in the future may have far-reaching effects on the life insurance companies. What these changes will be it is impossible to predict. Yet one may assume that at least to some extent they will depend on the policies adopted by the life insurance companies during the present emergency."

He went into details concerning some of the pressing problems that he said confront the life companies at present, including: Threat of inflation, fighting pressure groups, the increased demands for commodities, the deficits of the government, low rates of interest paid on governmental securities, etc.

### Menace to Creditor Class

He said inflation is the greatest menace to the creditor class because it would reduce the purchasing power of the dollar, thus affecting the policyholders, and he also expressed the fear that if inflation should become real it may change the attitude of individuals toward life insurance and might cause some people to take the cash value of their policies in order to hedge against inflation. Others might change the type of their policies to term, while some might even be tempted to cancel their insurance policies entirely.

"The effects of these possible developments on the life insurance companies, are, however, not the most important ones facing them," he added. "As a result of the depression which prevailed during the last 10 years a number of people have lost a considerable portion of their assets. Taxes already are exceedingly high and will soon, no doubt, be higher. Hence it will be much more difficult for the individual to accumulate an asset than was the case in the past. Individuals therefore, look today upon their insurance as probably the most important asset in their possession. Should this protection fail them because of inflation, many of those affected will not consider what brought about the inflation or whether insurance companies had anything to do with its development. They will tend to blame the insurance companies themselves and there may be an outcry against them such as has never before existed. Furthermore, a period of inflation would also affect the insurance companies directly. Should the inflation be permanent in the United States as was the case in France there is a possibility that money rates will rise and thereby result in an exceedingly

large loss in the investments of insurance companies.

He added that aside from the adverse effects which inflation may have on the life insurance companies and their policyholders it probably is the most deadly economic disease that can befall a country, since it would destroy savings, wipe out the middle class and weaken the moral fabric of the people.

### Measures to Be Taken

But he pointed out that there are many measures that the efficient management of the life insurance companies of the United States, as demonstrated by their record through the past depression can take, and which, if adopted in time, could act as a powerful brake against the forces of inflation.

He declared that the greatest danger source of inflation in the United States is the insatiable demands of organized labor for higher wages and of farm leaders for higher farm prices. He said in this connection that a continued rise in wages inevitably leads to a vicious spiral between wages and prices, since as wages go up the cost of production rises. He contended that notwithstanding federal laws and regulations have provided the farmer with an adequate return for his labor and his capital many farm leaders are not satisfied and are demanding even higher prices. He expressed the belief that the insurance companies should point out to their policyholders the danger that would arise if these insatiable demands of labor and farmer leaders were not met.

The constantly growing demands for commodities is particularly dangerous at present, he said, because the increased purchasing power in the hands of the people is not accompanied by a corresponding increase in the volume of consumers' goods, since more and more the industrial activity of the country has been devoted to the production of war materials, and this in turn creates new employment at high wages.

Passing to the post-war period and its accompanying problems, as he sees them, he said it would not be surprising if some group of people may not raise the demand for the nationalization of the savings institutions of the country. However, he said in this connection, that such a step could be accomplished in regards to life insurance companies without any difficulty since most of the companies are mutual in character. "It is therefore highly desirable that the insurance companies at this early stage make preparations to combat such attacks if they should develop," he said.

### Fight Sources of Inflation

"The role of the life insurance companies during the emergency is clear," he asserted. "Their first duty to themselves, as well as to their policyholders, is to fight the forces of inflation that are threatening to engulf the country. Secondly, it is their duty to do everything within their power to help the government carry out the national defense program. This war must and will be won by the forces fighting for law and order and for the dignity of the in-



*Participating Life  
and Noncancelable  
Accident and  
Sickness Insurance  
help you  
face the future  
with confidence*

MONARCH  
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Home Office  
SPRINGFIELD, MASSACHUSETTS

## EUREKA-MARYLAND ASSURANCE CORPORATION

Eureka Building  
Baltimore, Maryland

Extends Greetings to the

## AMERICAN LIFE CONVENTION

The Corporation has available for good personal producers who can organize a General Agency, an old fashioned general agency contract in lucrative territory.

J. N. Warfield  
President

A. V. Weaver  
Treas. & Asst. Secy.

T. J. Mohan  
Vice President, Charge of Field

dividual. Any other outcome would mean a return to the law of the jungle and would destroy all private enterprise. Perhaps the greatest task that now lies before insurance executives, as well as every American citizen, is to instill in the hearts of everyone a fervent desire to maintain the American way of life.

"During the emergency the powers of the government over business are bound to increase. However, it is vitally important that we make certain that once the emergency is over these powers will be returned to the people. To achieve this, we must fight all influences, coming from the right or the

left, intended to undermine our respect and love for our institutions.

"Although the world outlook is grim at the moment, I am confident that not only will the dictatorships in Europe be destroyed but also that the end of the conflict will come sooner than is generally expected. While the problems which will confront the United States after the emergency will be very great, there is no reason to be over-pessimistic. Ours is the greatest industrial, agricultural and mineral producing nation of the world. We have the wherewithal not only to restore normal conditions but to create a happier world for those who will come after us."

## Industrial Men Confident of Future

(CONTINUED FROM PAGE 6)

dinary insurance; agency turn-over is less than 10 per cent, and lapses per \$100 of debit are less than 15 cents. These are of vital importance, Mr. Stevenson said. He suggested that each executive analyze his own company's records regarding costs, turn-over and lapses. "If you are out of line on any one point, then in the interest of the business as a whole, it is suggested that you strive in every conceivable way for the improvement necessary to bring your record in line. Thus, by all of us concentrating on the weak points, if any, that may exist in our own com-

methods today, Mr. Stevenson said that the industrial agent is now trained to see that the proper type of insurance is written on each member of the family with a relatively large proportion of the total premiums on the life of the principal breadwinner in the family. Particularly if the wage earner is eligible for ordinary insurance, it is the duty of industrial agent to see that this type of coverage is written. Progressive companies are placing particular emphasis on this phase of industrial underwriting. As a further precaution in this regard, most companies are limiting the size of new policies and the total amount of insurance which will be sold on an individual under industrial policies. This serves as a safeguard against the policyholder carrying more insurance and attempting to pay premiums he cannot afford. The individual who can afford to pay for a greater volume of insurance is thus encouraged to apply for it on ordinary plans or some intermediate form.

### Persistency Vastly Improved

Persistency of business has been vastly improved in recent years. The lapse ratio of new industrial business in the first calendar year of issue of 1940 was about  $\frac{1}{3}$  that experienced in 1905. As a result of the improvements made in the industrial field, the public is now being furnished improved policy contracts together with improved services at a lower cost. A greatly increased volume of business plus improved operating methods have resulted in a reduction of expenses while at the same time the agents' earnings have been considerably increased. Reduction in industrial mortality has helped lower the cost of industrial insurance. Net cost of industrial over that of ordinary of a comparable mortality is around 15 percent, which can be reduced to about 5 percent if policyholders take advantage of the refund for direct payments at a company office, Mr. Stevenson pointed out.

### MONTHLY DEBIT PLAN

Monthly debit ordinary may bring into the protecting folds of life insurance many prospects who will not take industrial and who cannot, or will not, afford quarterly premium ordinary. Gilbert C. Clark, assistant actuary Equitable Life, Washington, D. C., brought out in discussing monthly debit ordinary.

About 90 percent of the life companies accept monthly ordinary premiums but comparatively few will accept less than \$5 or \$10 per month. Monthly debit ordinary comes into the picture at that point where the premium is too low to permit the expense of premium notices, Mr. Clark pointed out. Monthly debit ordinary has a niche of its own.

### Arguments for Cover

The principal arguments usually put forward in favor of this type of coverage are: The agent will get business he would lose entirely without a monthly debit ordinary department. The average size of ordinary policy will be in-



E. B. STEVENSON

panies, we will be able to correct these weaknesses and by so doing bring about the improvements so much to be desired for the business as a whole."

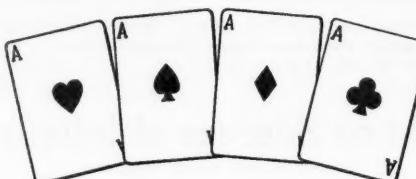
### Poor Record Reflects on All

In stressing the importance of cooperation Mr. Stevenson said the poor record on the part of any one company may be pointed to as a condemnation of the entire industry. "Therefore all of us are not only interested in our own record but we are vitally interested in the record of every other company. A chain is no stronger than its weakest link, so industrial insurance must have no weak link."

Mr. Stevenson expressed great hope as to the future of industrial insurance. "No institution has in its management men more capable of accomplishment. We have but to put our minds upon the solution of the problems, knowing that when industrial insurance is called to account five, ten or 15 years from now, it will be before the bar of public opinion and that public opinion will be the sum total of the opinions of all the many millions of weekly premium policyholders in this nation." In order to achieve this goal, Mr. Stevenson stressed an all-out, unceasing effort to render such service to policyholders as has never before been rendered in the history of this or any other business.

In commenting on the improved sales

## Our Cards Are on the Table



And they make a hand that's hard to beat. Security Mutual general agents and field underwriters hold the four aces of complete personal insurance protection—Life, Accident, Health and Hospitalization coverage; all in one sturdy, friendly company.

New, tested sales plans increase opportunities for men to grow with us.

### Security Mutual Life Ins. Co.

LIFE — ACCIDENT — HEALTH

F. D. Russell, President

Binghamton, N. Y.

## Manifest Destiny

had its faults, but its confidence in the future of America carried this country to heights a more intellectual but less cocksure creed could never have achieved. What the future holds no man knows, but our journey towards it will be lightened and made pleasanter if we leave the shadows of the past and become imbued with some of the lusty optimism of our forbears that saw with every step taken a large V ahead.

### WESTERN LIFE INSURANCE COMPANY

HELENA, MONTANA

R. B. Richardson, President



Illinois Bankers Life executives and their ladies—E. H. Henning, new president; Mrs. Henning; Hugh T. Martin, chairman of finance committee and Mrs. Martin; President James A. McLain of Guardian Life and Vice-president Robt. Startevant of Ohio National Life.

creased. The small individual premium payment per \$1,000 encourages a larger policy than if the premium was paid quarterly, semi-annually or annually. It is a popular line because it fits in with the monthly bills that the average family pays regularly, and for the same reason, paying the premium will become a habit and the lapse rate will be low. Personal collection by an agent, instead of by mail, encourages premium payments and results in a lower lapse ratio. Handling of these policies by groups on a debit basis results in low operating expense.

#### Claims of Opponents

Opponents claim this form of policy will be attended by the same headaches that occur in the industrial department, with the same arguments over lapse charges and transfers, and that since the policy is exposed to lapse 12 times a year, the lapse rate is bound to be high, and that these conditions will cause such a high operating expense the business will not be profitable. They also claim that the addition of an M. D. O. department will not in itself add to the amount of insurance written; that there is no class of people who will buy either industrial or quarterly ordinary.

#### Reports on Questionnaire

Touching on the results of a questionnaire he had sent to 39 industrial companies, Mr. Clark said he received replies from 38 and of these 14 issue monthly debit ordinary. Two revealed they had issued this form at one time but had later discontinued it, while three stated they contemplate entering this field soon.

One of the companies that dropped M. D. O. said it had started monthly premium industrial and felt that this would take the place of the M. D. O., while the other company stated the whole plan was unsatisfactory to it; that its agents made a practice of transferring business from weekly to monthly debits and vice versa in order to draw bonus times.

Several companies said they were staying out of the M. D. O. field because they are afraid its introduction would disturb their regular quarterly premium ordinary and that a higher lapse rate might be reasonably expected under a monthly premium than under a quarterly premium.

#### Fourteen Now Write M. D. O.

The 14 companies that now have M. D. O. business ranged in size from about \$30,000,000 combined business, on up. Ten of them started this type of business during the past six years. Most companies have about the same policy provisions for both regular ordinary and M. D. O.; the non-forfeiture values are generally about the same; the monthly premium rate is almost uniformly 9 percent of the corresponding annual rate, Mr. Clark revealed.

The greatest variation among the 14 companies was in the percentage of the total ordinary business that is written on an M. D. O. basis, the range being from

5 percent to 65 percent. There is considerable variation on minimum and maximum M. D. O. limits, although \$1,000 appears often as the minimum limit, and a premium of about \$10 as the maximum. Several companies have established the rule that if the premium is under \$10, the policy must be on a debit basis; if it is \$10 or over it must be a regular monthly premium ordinary.

#### Dating of Policies

One of the most controversial points, but one which did not seem worth being included in the questionnaire, is the matter of the dating of policies. And it is a subject on which each company that has M. D. O. business seems to feel that its practice is unquestionably the only correct one.

Mr. Clark said his company will issue on a binding receipt basis but dates the policies the first of the month following the date of actual issue. During the four years it has had M. D. O., it has had only one claim in that 15-day "free" period.

Another point of variation is the matter of the rendering of agents' accounts and premium accounting. Some companies have the agents render separate M. D. O. accounts once a month, near the end of the month, while others have the accounts rendered weekly.

#### Many Schools of Thought

In the matter of agents' remuneration there are naturally about as many schools of thought as there are companies in the M. D. O. business. Some pay on a conservation basis, some on a "times" basis, some on a straight commission basis, some on a combination. Some divide the M. D. O. record by  $4\frac{1}{3}$  to reduce it to a weekly basis, and join it with the industrial for remuneration purposes. Other companies, including the Equitable Life, keep M. D. O. and industrial entirely separate and pay the M. D. O. on a monthly basis.

#### Attitude of Field Force

A separate questionnaire sent to the 14 companies writing M. D. O. carried four questions on the matter of experience: 1. Does the field force favor the business? Answers indicated that even now the degree of enthusiasm on the part of the field varies and is reflected in M. D. O. production. 2. Persistency compared with regular quarterly ordinary? Not much difference in persistency compared with regular quarterly ordinary. 3. Whether M. D. O. added business that would otherwise have been missed? Mr. Clark said his own company's experience has been that M. D. O. has taken business from both the regular ordinary and the industrial departments. 4. What is the opinion with regard to this type of insurance? In general companies that are in the M. D. O. field seem satisfied with the results they are obtaining.

Life insurance companies that write only ordinary policies have much to learn from the companies that specialize in the writing of industrial, W. H. Trentman,

**W**E adopted the Square deal Contract April 1, 1920—identical to every man in our field force including Managers.

Liberalized and amended by changes through the 21 years—yes. But every change a change for all. Examples:

- 1—Renewals 100% vested in event of death, disability or at retirement under conditions stated in the contract.
- 2—Increased compensation for clearly defined top-grade work.
- 3—Increase of compensation for agency development of high standard.
- 4—Addition of timely policies; e.g., "Family Income" available to "Guardsmen" in March, 1930.

More on this subject for those who ask.

**Guardian Life**  
Insurance Company

Home Office: Madison, Wisconsin

## Greetings to AMERICAN LIFE CONVENTION

## THE OTIS HANN COMPANY, INC. "LIFE INSURANCE SERVICE"

333 NORTH MICHIGAN AVENUE  
CHICAGO

J. Roberts Hann  
President

F. H. Landeck  
Vice President  
& Field Manager

vice-president Occidental Life of Raleigh, N. C., declared.

Industrial life companies are constantly seeking and finding improvement, well aware that their achievements are being measured by their relation to the common good, Mr. Trentman pointed out. Industrial companies have much the same problems as the companies writing ordinary life only and in some instances they have met these problems more effectively, he held. Industrial companies are able to issue business much faster than the ordinary companies because they have trained their agents to underwrite the business in the field.

#### Made Vast Strides

Industrial companies have made vast strides in the training of personnel to improve and simplify the relation between policyholder and company. Industrial agents lead all others in the number of C. L. U. designations, he said.

Industrial agents follow regular habits of work while many ordinary agents do not. Closer supervision of personnel in the office and in the field pays. Stabilized income for agents levels out the feast and famine program of the ordinary agent's compensation plan.

Regular servicing of policyholders in a simple, comprehensive way under the industrial plan was stressed by Mr. Trentman. The agent uses simple phrases and words with which the prospect is familiar. The industrial man who makes regular, friendly calls at the home of his policyholders not only gets the business but also has a better chance of keeping it.

#### Value Is Comparative

"A weekly premium policy to one man may be of as much importance to him as an ordinary policy of much greater size is to another man. Notwithstanding our drive for quality business, policies of greater average size, we must not forget the vast number of our bread-winners who have just enough excess earnings to provide the most meager amount of life insurance, the minimum amounts issued by our companies. Of course, we want larger policies if our policyholders can save the money needed to pay the larger premiums and if they can keep up their payments. From the industrial business we have learned to arrange the method of premium payment according to the manner in which the policyholder receives his wages, salary or income. That's one point we should not forget.

"The industrial agent who avoids the mass of unimportant and confusing detailed technicalities and concentrates on package selling and simple stories to illustrate the value of his policies can teach the average ordinary agent, steeped in



Allan Brosmith, attorney, Travelers, chats with L. D. Cavanaugh, president of Federal Life; three Bankers Life of Iowa executives hold pow-wow—E. McConney, actuary, G. S. Nollen, president, and W. W. Jaeger, vice-president.

complex programs, the way to steady income."

Only 18 percent of U. S. families have \$2,000 or more annual cash income. "The ordinary company may learn from the industrial to gear its machine to the level of the crowd," he added. "Ordinary executives have talked about and urged their agents to write business in the higher income group when as a matter of fact that group is definitely limited."

#### DIFFERENCES DEFINED

Because industrial insurance premiums can be paid by the week there is a tendency to think of industrial insurance as something entirely different from ordinary insurance, C. A. Taylor, actuary Life of Virginia, declared in pointing out the real differences between ordinary and industrial.

Legal definitions of industrial insurance appear somewhat artificial and hardly describe its peculiar characteristics. In Mr. Taylor's opinion, industrial insurance in a broad sense is life insurance designed to meet the needs of that part of the public receiving comparatively small wages at frequent intervals, who have very little in the way of financial reserves and who are not thrifty enough to seek insurance without producing. More specifically, the following characteristics, not generally found in ordinary, exist in industrial:

Frequent premium payment intervals; premiums paid at home of insured to an agent who calls regularly; premiums at a higher rate than for corresponding ordinary policies; policies limited to comparatively small amounts; underwriting practices more lenient; greatly simplified beneficiary and claim settlement arrangements; absence of provisions for policy loans, installment settlements, disability in the sense used in ordinary insurance; and the absence of a multiplicity of plans; an accounting system in which a group of policies assigned to an agent for collection, rather than the individual policy, is the accounting unit; availability of policies for nearly all members of the family, from the youngest child up.

#### Reasons for Higher Rate

It is not an easy matter to say which of these are necessary peculiarities and which are outgrowths of other practices, Mr. Taylor said. "Take the matter of premium rates, for example. Industrial premiums must be higher than ordinary because premiums are true

weekly premiums, and not installments of annual premiums; it costs a great deal to send agents to the homes to collect, and a great deal to supervise and audit agents; policy amounts that are small and even small overhead costs may be high per unit; and most important, that industrial mortality is considerably higher than ordinary.

#### Higher Wages Change Picture

"With wage levels apparently up permanently from what was considered reasonable in the past, will not a large part of our prospects outgrow the need for very small policies? If so, what course should industrial companies follow? Should they attempt to turn their agency forces onto ordinary agents, as now understood, while a possible slow liquidation of industrial business takes place? Or should they attempt to work out new plans, fitted to the new needs of our prospects, without a complete break from past practices?"

In this connection Mr. Taylor pointed out that ordinary written by industrial agents has characteristics of its own, the average size policy being a great deal lower than the purely ordinary agent produces, with the \$1,000 policy abounding. Industrial companies are hard put to it to select such smaller policies as efficiently as larger ones because of the expense involved. In this ordinary written by industrial men the average premium collection frequency is higher and persistency lower, than that of purely ordinary companies of like standing. All of these factors create a real problem for the actuaries of industrial companies in preparing for competition. One partial solution, frequently used, he said, is the division of ordinary business into two categories, a "preferred risk" line, for policies of moderate amounts and up, and another (the familiar endowment at 85 line) for small policies. The latter will generally be on a slightly higher rate basis, recognizing the peculiar requirements of the type of business.

#### Weekly Intermediate Successful

Mr. Taylor then touched on the successful experience of the Life of Virginia since 1934 with its weekly intermediate insurance. It now has a little less than \$35 weekly premium of this plan on the average debit. Its persistency has been about 25 percent better than for industrial. Its mortality has been favorable, very much lower than industrial, although not up to ordinary standards, for it was not so selected.

Originally only two policies were offered on this plan, an endowment at age 85 with continuous premiums and an endowment at age 85 with premiums limited to 20 years. It has not been issued at ages under 16 and it is issued to self-supporting men and women only.

The minimum policy is \$1,000 and the maximum \$2,000, except on favorable cases the company will issue up to \$3,000. Recently the plan and amount limits were extended by the introduction

of "mortgage redemption" riders, similar to the familiar family income rider to home owners with mortgages to be paid.

#### More Like Ordinary

The policy forms while having some features of industrial policies, are more likely ordinary policies and meet all state requirements for ordinary insurance. They have the same loan, cash value and non-forfeiture provisions as the company's ordinary policies. The beneficiary provision is the same as in the ordinary policies, and the same thing is true of the grace period. No settlement options are written in the policies but simple installment settlements are permitted. Photostatic copies of applications become parts of the policy contracts. The industrial features are the loss of eyesight and limbs provisions; the additional accidental death provisions, the provision for cancellation and refund of premium within two weeks after delivery, and the provision for a discount, smaller than in industrial policies, upon payment of a year's premium at a time. The persistency has been much better than in industrial and about as good as ordinary. The field force appears to be generally pleased with the plan and at times when the subject of monthly debit ordinary is brought up agents have indicated their preference for the weekly intermediate, Mr. Taylor concluded.

#### Industrial Section Pick Ups

B. L. DeWitt, assistant secretary Peninsular Life, chairman of the Industrial Section, was not present. He has been expecting the stork to visit his house for two weeks but the bird would not light on the chimney top in time for him to come to the meeting. Last year he was in poor health when he was elected to the chairmanship.

In preparing manuscripts for his talks, E. B. Stevenson, executive vice-president National Life & Accident, always uses extremely large typewriter type, taking advantage of the system used in preparing radio scripts for station WSM operated by the National Life.

R. G. Ralston, Chicago manager National Life & Accident, was on hand at the Industrial Section meeting to hear his chief, E. B. Stevenson, speak. Much amusement was created when Mr. Stevenson, the last speaker, was called to the rostrum immediately after luncheon arrangements were announced with the implication that Mr. Stevenson be through by 12:30. Mr. Stevenson declared his audience needn't worry because he had a ticket and, furthermore, he was willing to start eating immediately.

When Julian Price, A.L.C. president, started to leave the Industrial Section, after his greetings, he said that those who missed him could look at his picture in the convention program.

Mrs. A. H. Hoffman, superintendent of the Yeoman City of Childhood near Elgin, Ill., which is maintained by American Mutual Life, attended the convention.

#### Gives Report



LEE N. PARKER  
President American Service Bureau

## What Is Ahead for This Country?

(CONTINUED FROM PAGE 4)

the production of civilian goods must be curtailed in order to expand the production of defense goods. Defense goods do not go on the market; do not enter into the channels of distribution, and of course are not available or suitable for civilian consumption.

The national income has increased from 76 billions in 1940 to approximately 90 billions. Unless something is done to reduce this increased purchasing power, represented by about 14 billion extra dollars, available for consumer goods, and unless this increased new purchasing power is prevented from going into the markets to compete for the limited supply of civilian goods, some degree of inflation must necessarily follow. To control inflationary tendencies, the government must take out of the consumer goods market as much of this excess spending power as possible. There are several practical methods by which these inflationary forces may be checked or prevented.

### Inflation May Be Checked

"(1) Taxation. The defense program should be financed so far as possible on a pay as you go basis. This means increased taxes and these should be levied on a broad base and reach the great bulk of those in the lower income brackets, something the new tax bill just passed does not do.

"(2) Divert as much as possible of the extra money now being received by the lower income groups into defense bonds and life insurance. This would create a reserve savings against any post war depression.

"(3) Increase social security pay-roll taxes.

"(4) Compulsory savings, payable after the emergency has passed.

"(5) Priorities and the rationing of raw materials, restriction of instalment credit, excise taxes on durable consumer goods, and price control.

"A price control plan is only partially effective unless it is a comprehensive plan that provides for a ceiling over practically all prices,—including farm prices, wages and salaries, and rents. Germany and England both have done this very thing and it has worked.

"No irresistible spiral of inflation is in prospect or probable in the near future. This disastrous phenomenon is usually the aftermath of long wars and exhausted financial and economic resources. No such condition is thinkable in this country where there is an abundance of almost everything. In any event, I am sure that our President and his economic advisers will not permit any serious or dangerous rise in prices, and when necessary can and will put on the brakes.

"What can life companies do to prevent or curb inflationary forces?

(1) They can urge the repayment of policy loans. (2) They can encourage and permit mortgagors to make advance payments on their mortgages in excess of the contractual requirements; and (3) they can stimulate the sale of more life insurance to old policyholders to cover new needs, and by sales to the lower income groups, tap those new surplus funds which thousands of workers not reached by taxes are now receiving in the way of 'defense dollars.' All these would divert spendable money from the marts of trade, counteract inflationary tendencies and build up a reserve or cushion for any post war depression, and withal, perform a patriotic service to our government.

## OFFICERS OF THE LEGAL SECTION



JOSEPH O'MEARA, JR., Western & Southern New Chairman



E. A. ROBERTS, Minnesota Mutual Life Retiring Chairman

all forms of business. Naturally companies are very solicitous as to how far they should go with changes, not knowing what the future may bring forth and not knowing what the danger will be to this country. The whole sky is ominous and the clouds are heavy.

Executives never felt the necessity of cooperation and a strong compact organization as today. The American Life Convention certainly will lend a helping hand to the extent that it never has done before, because the companies will look to it to gather information and to distribute it. This is certainly a working body, one very practical and useful. It

is democratic and in later years has extended its scope naturally. Undoubtedly officials left Chicago with probably a sterner grip and a desire to walk hand in hand in meeting the issues of today and those that will arrive tomorrow.

Ralph H. Kastner, associate counsel of A. L. C., appeared in a new role, displaying unexpected ability as a barker at the entrance to the Legal Section meeting. Mr. Kastner has a rich, sonorous voice which bounced from end to end of the long hall in the Edgewater and caused the barristers to hurry lest they miss the main show presided over by E. A. Roberts, chairman.

## Shows Tie Between Government and Life Insurance

Governor Green of Illinois, in addressing the Thursday morning session of the American Life Convention called for vigilance on the part of the citizens to bring the processes of government close to themselves and to keep them there so that the citizen may feel his personal responsibility. The governor stated that state and local administrations must be placed upon the highest plane of efficiency, economy and honesty, lest their rights and duties be absorbed by the power of individualized government.

The real battlefield of freedom, according to Governor Green, is in the states, counties, cities and villages in which the people meet their problems and desire to govern themselves. The people, he said, must stand secure against any infringements upon the government which belongs to them.

Governor Green started out by observing that the security and happiness of countless homes would be struck if the economic bulwark of life insurance were endangered or impaired. The company executives, he said, are responsible for safeguarding the tremendous investment which is the individual concern of almost every citizen.

Life insurance is extremely sensitive to the acts of government, he pointed out. Taxation and financial restrictions, even wasteful spending as a form of inflation, are reflected immediately not only in the companies themselves but in the affairs of policyholders. If government creates a trend toward lower investment earnings, then the companies may be compelled to increase rates or decrease dividends. Increased taxation lessens the value of property and government extravagance weakens the stability of other investments.

Hence, because government is such a

factor in insurance, Governor Green stated that he desired to discuss some aspects of government with his audience. Governor Green said that the motto of his administration is that no dollar shall be spent by the state which fails to purchase a full dollar's worth of benefit for the taxpayers from whom it is collected. Government should be administered, he said, for the common welfare by applying the sound principles of keeping expenditures within assured revenue and by imposing taxation to produce only the necessary minimum of revenue while providing the maximum of service.

The economic and social future of government need not be lost sight of in the present call for national defense, according to Governor Green. Constant adherence to the fundamental principles of the constitution is necessary to preserve liberty and keep government free. The conviction must always be held that no one, at any time, shall hold unlimited power.

## Executives Confer on Live Problems

(CONTINUED FROM PAGE 1)

of income. If a premium tax is levied on old business it will pinch very hard because companies will be unable to adjust their premiums. The labor union situation looms up as an insidious spectre. It was thought that this movement would be confined to industrial staffs but there is a very persistent feeling that the CIO will become active in working up union sentiment in head offices. The wages and hours law, unemployment compensation, pensions for agents, the investment situation, the feeling that all companies should go on a higher reserve basis, thus decreasing the rate of guaranteed interest and building up reserves, all demand attention. More and more the government is pressing and is attempting to regulate

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## Tells of Progress Made in Leadership

(CONTINUED FROM PAGE 3)

his men to do the job of selling in much the same way. The prime essential of this era seemed to be to find out what everybody else was doing, and then organize the company's agency methods or materials from the best of that which the leader had learned or about which he read.

But Mr. Weidenborner revealed these assembled methods worked out entirely differently in different situations and as a result in the 1930s, many fieldmen were pulled and hauled in various directions because the executives in the home office tried this and that idea which they had picked up from some one who supposedly was using it effectively.

"While I may seem to be a bit critical of what has taken place," he added, "yet, on the other hand, I feel that during this period considerable progress was made in the life insurance business—if only because of the fact that an attempt was made by the industry to improve its technique in regards to methods." He also pointed out that in any period where progress is being made, it is to be understood that there will be many mistakes, but out of these mistakes come more accurate conclusions on which to base our operations.

Then 10 years ago there became evident a tendency to test ideas in the light of sales results.

"This gave management a new hold on its responsibility because management could test easily in most cases, and automatically in many, whether these fine-sounding ideas were truly significant in the sales result," he continued.

program.

### Many Ex-presidents on Hand

A number of ex-presidents of the American Life Convention were present. They are always invited to sit in at meetings of the executive committee and owing to their experience their counsel is all-inviting. The oldest ex-president is Isaac Miller Hamilton, Federal Life. Among the others present were Henry Abels, Franklin Life, Harry Wilson, American United Life, G. S. Nollen, Bankers Life of Iowa, W. T. Grant, Business Men's Assurance, F. V. Keesling, West Coast Life, T. A. Phillips, Minnesota Mutual, H. K. Lindsley, Farmers & Bankers Life, L. J. Dougherty, Occidental Life of Los Angeles; P. D. Gold, formerly Jefferson Standard Life; O. J. Arnold, Northwestern National; E. G. Simmons, Pan-American Life; Daniel Boone, and John M. Laird, Connecticut General Life. Claris Adams, president Ohio State Life, was a former manager of the A. L. C.

About 100 ladies attended at the Edgewater and took part in the full program of women's activities. The committee in charge included Mesdames Ralph H. Kastner, M. E. Benson, F. E. Huston, V. A. Lutnicki, Lee N. Parker, M. B. Cederstrom, B. M. Woodsmall, and Robert R. MacKenzie. There was a drive along the north shore Tuesday, with luncheon in Hubbard Woods. A theater party was held Wednesday, and Thursday a book review.

The Edgewater Beach Hotel was filled to capacity but was able to accommodate all in some way or other. The press room on the first floor had to be vacated and shifted to another room in order to provide quarters for Editor Clarence Axman of the "Eastern Underwriter."

Arthur B. Baxter, London, Eng., a member of parliament, who spoke Thursday morning, is a native of Toronto, and happens to be on a visit to his mother in that city. In his early days he sold pianos for a Toronto house. He has done much in vocal music in his

day. He volunteered in world war No. 1 and was sent abroad. He remained there and got a position with the London "Daily Express," Lord Beaverbrook's paper. He became chief editor and eventually was elected to the house of commons.

Ernest Palmer, former Illinois director of insurance, attended the meetings from Wednesday on.

## Need to Train Men for the Whole Job

(CONTINUED FROM PAGE 2)

to the problem. And in this connection he said that while the business has made significant progress in the direction of improving the quality of its inductees, much of it has been along negative lines. Many men, who most certainly would fail as agents, are now eliminated by the various tests that are being used, but the industry is still far from being able to guarantee success, or even predict relative success, to prospective agents through the tests and rating devices now in use. In this connection he said certain tests have brought relatively little change in the average production of men who have survived two full years as agents, and that the industry continues to place emphasis on the percentage of total business desired from the new organization. "Our general agents and managers are not going to take quality recruiting very seriously until they can reconcile it to production requirements," he added.

### Issue Over Part Time Agents

Touching on the question of getting rid of part-time agents and the elimination of the full-timers who after sufficient trial do not measure up to the minimum production standards, he said that he personally favored the limiting of the life insurance business to career men who can make a good living and have fun in selling life insurance, but, he continued, "the best we can do in that direction will not improve the average production of those who remain. The tragedy of our business is the low production of so many men, earnest, well-qualified men, who start well but get nowhere. When we take a look at the earnings of the middle 50 percent of our so-called established agents, we can't be proud of the figures. The courage to keep standards high, both for selection and for early elimination of poor producers, will come only from confidence on the part of the general agent that he has, and is skilled in using, a sound plan for getting much higher average production from the fewer new men who will measure up to such standards. When our general agents become really good at training, they won't have to be urged to seek quality men. They are already discovering that good training is costly in time and money; therefore they can't afford to waste it on mediocre men."

### Mentions Basic Criticism

While contending that the industry can accomplish more toward the objective of high grade agents who can make a good living and build public recognition for their services, through improved training than by any or all other measures, Mr. Kenagy admitted that the one basic criticism of the best training plans today is that they take a narrow view of the objectives which must be reached. "They direct thought and effort primarily to the sales process," he continued, "and to the sales interview rather than to the whole job of the agent. They underrate the importance of prospecting and organization of effort, though we all know that the two big reasons for failure in our business are poor work habits and poor prospecting. We have trained men for the sale, not for all-around efficiency."

Later he said that the business of making good teachers and trainers out

of general agents is the really difficult part of the job of getting fully effective training done, and in this connection recommended that future general agents should be men possessed of the ability to train new agents.

He added: "Until we learn a better way of training supervisors—prospective general agents—to be good trainers, we can apprentice them to general agents who are good trainers of agents, and work closely with those general agents in developing better and better methods of training our future trainers."

## War Economy Is Bringing Many Agency Problems

(CONTINUED FROM PAGE 3)

trained, with ability to make a living selling life insurance.

"More and more emphasis is being placed on the necessity of proper representation in the field," Mr. Hubbell said. "The untrained agent has no place in our business. He destroys public confidence, tears down the morale in the agency and creates sales resistance, making the job of the efficient agent more difficult. He should be eliminated promptly upon the discovery of his inability to measure up to the proper standards."

Equitable Life of Iowa has done much to coordinate the activities of the agency department with other departments, Mr. Hubbell said. At first it might seem that some other departments have little in common with the function of selling life insurance, such, for instance, as the investment department, whose job is to make investments on their own merit alone, without any consideration of possible life insurance business. However, Mr. Hubbell said, in its contacts with borrowers or applicants for loans, that department should be aware that the manner in which it fulfills its duties makes either good or bad impressions upon those with whom the company deals. Such borrowers or applicants are a part of the public, which is the market

for life insurance. When treated fairly and courteously, the public responds in kind, but if treated in a high-handed or arbitrary manner, the reverse is true.

### Legal Department Can Help

Certain details of the legal department are closely related to the work of the agency department. Simplicity and use of plain layman's language are extremely desirable factors in all contracts which the legal department drafts. This especially applies to policy contracts, options of settlement, and so forth.

Mr. Hubbell warned against the legal departments giving too broad a service to policyholders in response to the many requests from agents for legal advice, especially relating to exemptions and taxes.

Companies in the light of recent rulings and interpretations have had to change completely their ideas as to what is taxable, and there is no telling what the courts may hold as to the regulations which became effective Jan. 10, 1941. Agents should be warned to be very careful in giving tax advice to clients.

### Prompt Claim Payment

Prompt payment of claims is another real obligation, for the claim payment is the main service which life companies sell and it is essential in the interests of good public relations. This is the demonstration of life insurance in action, the culmination of the policyholders programs.

Another closely related function is that of making policy loans, which should be handled with the utmost dispatch. Good service in this respect is helpful in establishing the prestige of the agency force.

The head of the underwriting department Mr. Hubbell went on, should be an executive officer who understands and appreciates the policies and objectives of the company.

"Due to declining interest rates during the last decade—and there is no indication of a reversal in this trend—profits from this source have dwindled



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such an extent that they may become presently non-existent. The average gross rate of interest earned by all companies during 1930 was 5.31 percent; during 1940, it was 4.11 percent. Applying the difference in these rates to the assets of all companies at the end of 1940, amounting to \$32,835,000,000, it is evident that the earnings of all companies have decreased \$394,000,000 by reason of this reduction in interest earnings. This means that the cost of life insurance has increased due to no fault of the managements of the life insurance companies. This increases sales resistance and the problems of agency administration; accompanying this handicap is the self-evident fact that the companies must depend on savings in expense and from mortality in order to continue to perform their services. Underwriting on a sound basis to preserve earnings from mortality is essential. The agency departments must realize this and not request laxity in this function of the companies in order to increase sales." He also felt underwriters should be careful to make fair decisions.

## Torrance Elected Financial Head

(CONTINUED FROM PAGE 2)

assistant vice-president of American National Bank & Trust Company, Chicago. In the afternoon session, a paper prepared by H. W. Foskett, assistant vice-president of Equitable Life of Iowa on "We Are Salesmen Too" was read by J. Price Murphy, Mr. Foskett's associate. Mr. Foskett was unable to attend due to the death of his father.

### Take Up Utilities, Mortgages

Frank S. Vanderbrouk, executive vice-president of Monarch Life, gave an address on the future of electric utilities and their securities, and William B. F. Hall, second vice-president of Lincoln National Life in charge of mortgages, spoke on the unsound approach to the task of buying mortgages and made his recommendation for a joint study that was adopted.

Albert B. Brushaber of Wood, Struthers & Co., New York, discussed committee management of business institutions as contrasted with one-man dictatorship of the past in the Tuesday morning session, and Wheeler McMillen, president National Farm Chemurgic Council, Columbus, stressed more intensive farming made possible by scientific research as a means of beating the next depression.

### Guertin's Interesting Paper

Chairman Nettleship introduced A. N. Guertin, actuary New Jersey department, with a brief biographical sketch, noting he was familiar with companies' internal problems due to having been in the Connecticut Mutual's actuarial department. Mr. Guertin is a fellow of both the Actuarial Institute and Society, a lecturer in seminars and chairman of the so-called Guertin committee of the commissioners on nonforfeiture values.

Mr. Guertin's paper, which perhaps was the most significant on the program, drew much comment and many questions. This subject of valuing assets is one of the most important before the financial men.

Mr. Guertin mentioned the great joint project of statistical study of railroad, municipal and utility bonds, the efficiency of ratings, relative index of market prices, defaults, and so forth, being conducted by various groups. Something valuable may come out of this, he said.

He stressed interest rate is a question of paramount importance, and companies which fail to reduce interest rate assumption in their contracts below the "classical 3 1/2 percent" may not be exercising the soundest financial judgment. The present income, based on investments made in more favorable times,

may not be a safe guide as to the future.

Competitive bidding for securities was forced on the life companies and dealers, Emmett F. Connely, president Investment Bankers Association of America, told the section at a luncheon Tuesday. The rule was adopted by S. E. C.



WHEELER MC MILLEN

over strong prevailing opposition of dealers, large and small. No evidence was presented showing the rule would result in better prices, nor is there any proof of this theory to date. However, I. B. A. believes it will result in overpricing. Management under the rule cannot accept less than the highest bid even though in the long run a lower bid might be more advantageous. Private placement by negotiation has worked out well over the years, he said. The commission has not yet shown private placement is harmful. It is intolerable, he said, and is a movement initiated in the T. N. E. C. to break up the traditional purchase group. So long as these serve the public, they should not be harassed.

### Railroads and Urban Changes

Gordon Whitnall, city planning consultant of Los Angeles and faculty member Urban Land Institute, Chicago, spoke on urban disintegration and future of land investments. Col. E. J. W. Ragsdale, chief engineer Edward G. Budd Manufacturing Company, Philadelphia, distinguished inventor who holds more than 100 patents, closed the meeting with a talk on the effect of streamlined trains on railroad securities. His chief, Edward G. Budd, was in the audience.

The officers then were elected and installed.

### Blanks Committee Meets

A subcommittee of the blanks committee of the National Association of Insurance Commissioners met Friday in Chicago to consider the revision of the first five pages of the life company annual statement blank. There were present Cleary, Massachusetts, chairman; Robinson, Ohio, Haffner, Illinois, Hansen, Missouri, and Hooker, Connecticut.

### Lewis Douglas Is Host

Lewis W. Douglas, president of Mutual Life, gave a cocktail party Wednesday afternoon. Probably this was the most extensively attended function of the kind during the week outside of the one prior to the banquet Thursday evening. Mr. Douglas was thus able to meet the conventioners in a very informal way.

Walter H. Eckert of Chicago, general counsel of Federal Life and Franklin Life, entertained late Monday afternoon in his suite at the Edgewater. His firm has a large insurance practice.

## O'Meara Elected as New Chairman

(CONTINUED FROM PAGE 2)

lems. It had occasion to reverse the various Circuit Courts of Appeals more often than it affirmed them, the circuit courts of appeals being affirmed in only 35% of the appeals decided by the Supreme Court by written opinion.

### Most Important Tax Case

Of the tax cases decided by the Supreme Court, the most important to life companies were Helvering v. Oregon Mutual Life, 61 S. Ct. 207, and Helvering v. Pan-American Life, 61 S. Ct. 210, wherein it was held that disability reserves maintained by life companies were "reserve funds required by law" within the meaning of the federal revenue acts so as to entitle the companies in computing income taxes, to a deduction of a specified percentage of the mean of such reserves.

The Supreme Court continued to place even more stringent restrictions upon judicial review of actions of administrative bodies which have more and more been arrogating to themselves prerogatives hitherto belonging to the legislative and judicial branches of the government. Notable among these were the Morgan so-called "fair hearing" case (United States v. Morgan, 61 S. Ct. 999); United States v. Darby Lumber Co., 61 S. Ct. 451, and Opp Cotton Mills v. Administrator of Wage and Hour Division, 61 S. Ct. 524, the last two involving Fair Labor Standards Act of 1938 (Wage and Hour Law) and both decided in favor of the wage and hour division.

### Erie Railroad Case

There were further extensions of the principle announced in the Erie Railroad case (Erie Railroad v. Tompkins 304 U.S. 64), which prohibited independent determinations of general law by federal courts. Among these cases were Griffin v. McCoach, 61 S. Ct. 1023 (involving conflict of laws rules); West v. American Tel. & Tel. Co. 61 S. Ct. 179; Fidelity Union Trust Co. v. Field, 61 S. Ct. 176, and Stoner v. New York Life, 61 S. Ct. 336 (requiring Federal courts to follow decisions of state courts of original and appellate jurisdiction).

The "review of decisions" likewise covered decisions of state courts involving matters of state taxation; unemployment compensation (particularly the Missouri Supreme Court's opinion in A. J. Meyer & Co. v. Unemployment Compensation Commission, 152 S.W. [2nd] 184); policy provisions, including double indemnity, non-forfeiture options, policy loan interest, manslaughter cases involving the right to recover policy proceeds by beneficiaries guilty of feloniously taking the lives of insureds.

### Many Social Events

W. T. Grant, president; J. C. Higdon, vice-president, and Grant Torrance, treasurer of Business Men's Assurance, were hosts at a breakfast Thursday morning with officials of midwest companies and some special friends as guests. This custom was established by the company some years ago and the three Business Men's officials spoke briefly. The new president of the National Association of Life Underwriters, John A. Witherspoon, was the only outside speaker.

Harvey Weeks, vice-president Central Hanover Bank & Trust Company of New York, gave a breakfast Thursday morning in honor of Dr. Marcus Nadler, the bank's consultant economist, who spoke at the convention that afternoon. Many life executives were invited.

The Canadians held a reception directly following the Thursday morning sessions in honor of A. Beverly Baxter of London, who addressed the meeting, and Mrs. Baxter.

## Price Sets Scintillating Pace in His Presiding

(CONTINUED FROM PAGE 1)

water Beach Hotel, who was made a honorary member of the organization last year, spoke briefly and brought greetings from his organization.

President Price, unknown to even Colonel Robbins, spied Edmund Harding of Washington, N. C., who is connected with Durham Life, in the audience. He is a past deputy governor of Rotary. He called him to the platform and did not give his name but referred to him only as Edmund. He proved to be a story teller and kept the audience in a gale of laughter. Mr. Price then called on Col. C. B. Robbins to give the report of his office.

Dr. J. S. Thomas of Alexandria, Va., proved one of the most unique and impressive speakers of the convention. He is a distinguished educator and lecturer. He took the position that while the frontiers of a certain kind have been passed and there are no more, yet, the best things have not been done. The best music has not been composed, the best poem not written, the best automobile not made. He decried the 30-hour a week plan as folly because so much is to be done. People need to get interested and excited in what should be accomplished. He said there is a waste of time when people are thrown away from their tasks and have not the capacity for improvement.

Dr. Thomas acknowledged that the present times are dangerous. If one counts out the catastrophic situation abroad the times in the United States are less tough than ever before. People should want adventure and by so doing they achieve. At all times people live with and in machines and the problem is to live peacefully. Science, he declared, had abolished drudgery. Everyone, he said should use to the utmost his creative energy.

He said that history shows that all great industrial activities have been preceded or followed by great commercial and business activities. There is today a great industrial civilization and such is always needed for progress. Science has enabled people to increase the life span three times. This is due to what is known as the materialistic age. There is a great age of inventors. Today can be seen the highest standards of accomplishment in the world. Since 1900 life insurance has multiplied greatly. While there are injustices under the economic system, yet as a whole, there have been tremendous accomplishments for the good of the people. Machinery, he said, does not put men out of work. In 1930 there were 427 people employed out of 1,000 which was the highest percentage in the history of the country. Machines, he said, have created work of a gigantic nature.

Society cannot be held responsible for getting a young man a job when he makes no effort himself.

"We need to create more and then more."

Allen May of St. Louis, the new president of the Mutual Savings Life, which has taken over the business of the old Central States Life, was at the hotel. He was formerly chairman of the Legal Section and is one of the most popular officials that attend these meetings.

American Service Bureau was represented by Lee N. Parker, president; Barrett M. Woodsmall and M. B. Cederstrom, vice-presidents, and Robert R. MacKenzie, Chicago branch manager.

The annual dinner dance was held Thursday evening. There is no speaking at this function. It is preceded by a cocktail party through the courtesy of the Edgewater Beach hotel with President W. M. Dewey as chief host.

H. E. Thomas of Roanoke, Va., vice-president Shenandoah Life, who is in charge of its group department, and Mrs. Thomas added much to the social life of the convention and following the executive session Wednesday evening held a reception in their room.

## Lincoln National Man New President

(CONTINUED FROM PAGE 1)

America. He started his insurance career with the old Grange Life of Lansing, Mich. Later he became actuary of the Detroit Life. He went with Lincoln National in 1919, becoming secretary. He was elected vice-president in February, 1930, first vice-president four years later, executive vice-president in 1936 and president Feb. 1, 1939.

Laurence F. Lee, president of Occidental Life of Raleigh, N. C., and of Peninsular Life, was elected on the A. L. C. executive committee. He has been very active in the Industrial Section.

An executive session was held Monday evening in the way of a panel discussion of the labor union movement, in connection especially with head offices. Many of the officials see a more insidious attack in this direction than in the case of the industrial staffs, which have been confronted with the union movement for some time. The companies are in a rather vulnerable position because the government, various industries connected with the defense program and other organizations are making a drive for high grade employees and are offering more money. In some cities the CIO people especially are distributing literature among employees. The executives decided to secure all the information possible so that they could act with intelligence and fairness.

The American Service Bureau, affiliate of the A. L. C. which completed 21 years June 30, in each of the last 15 years has shown steady gains in financial strength, with the present condition and service position the strongest in its history. President Lee N. Parker reported in the executive session. Surplus and current assets reached a new high this year. Income was the greatest in the last 12 months than it has been in any 12 months in history, although entirely derived from inspection service afforded to A. L. C. companies.

The bureau furnishes a large number of underwriting, claim and miscellaneous confidential reporting services to the companies. Mr. Parker commented on the usefulness of the semi-annual life insurance buyers' survey which is furnished without cost to all member companies.

Operating costs continued to climb due to the general demand for trained and efficient employees who must be replaced, and the call to service of valued personnel and general increase in all types of taxes, franchise and license fees, he said.

There is only one Julian Price and that was definitely demonstrated at the executive session Wednesday which was the most rollicking, fun provoking sessions that the American Life Convention has ever held. Tradition and custom were overturned and the presiding officer was enthusiastically provoking roars of laughter.

The time set for convening was 7:30 o'clock and at 7:45 President Price was in the chair with about 15 in the audience. Colonel Robbins, the manager, had not yet arrived. President Price had A. J. McAndless, president Lincoln National Life, who was the heir apparent, on the platform. The election of officials according to schedule comes at the end of the session. President Price stated that the election would take place at once. Everyone thought he was consuming time until a sufficient number arrived and was projecting into the proceedings this burlesque. But as it later appeared President Price was deadly in earnest.

Without any nominating speech he said that the slatemakers had determined on Mr. McAndless for president. He called for an aye vote and everyone shouted loud approval. He said that President L. F. Lee of Occidental Life of North Carolina and Peninsular Life of Jacksonville had been agreed upon as the new member of the executive committee. He asked unanimous vote for him and it was given with even more

strenuous vocal expression. Then he said that President L. D. Cavanaugh and W. C. Schuppel of Oregon Mutual, who had served two years on the committee, should be reelected. The pair was voted on enthusiastically with loud shouts from the 15 members.

### Price Wins Place

The climax came when he said it was the custom to elect the retiring president on the executive committee. He stated that therefore he desired this office and with mighty acclaim he was elected. Then he said that the executive committee should be given authority to decide the time and place of the next annual meeting and that was voted. Then he declared that the executive committee should be permitted to decide new issues that might come up and that was voted.

By this time more had entered the room and he called on President Lee N. Parker of the American Service Bureau to give his report. The audience supposed that this was the beginning of the meeting in a serious way. He then asked C. A. Craig of National Life & Accident to present the financial report. This started a run of raillery and wise cracks between these two old friends that kept the audience in a gale of laughter for many minutes. The two men engaged for some time in a matching of wits.

W. P. Coler of the forms committee said that it had made suggestions to the blanks committee of the commissioners association for a new type of annual statement.

John J. King, president of the Hooper-Holmes Bureau of New York City makes it an annual custom to give a large dinner the Wednesday evening of Life Presidents week in honor of the new president of the American Life Convention. This friendly gesture is deeply appreciated. On motion of Mr. Craig he was elected an honorary member, the only other one being President W. M. Dewey of the Edgewater Beach hotel.

R. Leighton Foster, general counsel of the Canadian Life Insurance Officers Association, made a bid for the 1942 convention in Toronto. He said the organization met there the last time in 1932. He said that under present war conditions Canadian members cannot bring their ladies to the United States to attend the convention. He said that the organization should recognize the international character of its membership.

Colonel Robbins read the general memorial for all members that had died during the year. President Price appointed Isaac Miller Hamilton, J. A. McLain, Guardian Life, and W. T. Grant, Business Men's Assurance, as a committee to draw up appropriate resolutions expressing the appreciation for the hotel service and commanding those who took part in the program.

A. H. Rust, president State Farm Life of Bloomington, Ill., gave a report on the Life officers Investment Seminar that was held at Indiana University July 14-25. He said that there were 70 financial students from 57 companies. Sessions were held in the morning afternoon and evening. He said that both last year and this the seminar kept within its budget and there is now \$5,000 in the seminar fund. He said that the seminar bulletin will be published quarterly hereafter with useful investment information. Next year the seminar will be held at the same place about the same time and he said that 100 can be accommodated.

President Price paid high tribute to Alex M. Cunningham, vice-president Western Life of Montana, who was responsible for the seminar.

It was voted to send a telegram of sympathy to President John J. Cadigan of New World Life owing to the death

of his son, Executive Vice-President John W. Cadigan. Telegrams were ordered sent to Harry L. Seay of Dallas and C. G. Taylor, Jr., vice-president Metropolitan Life, both former presidents who could not be present.

President Price appointed C. A. Craig and L. J. Dougherty to escort the new member of the executive to the platform. When Mr. Lee started up the steps the president instructed the body guards to take him back to his seat.

Mr. McAndless, in tribute to President Price's universal custom of wearing his hat and carrying a cane put on a hat and leaned on Mr. Price's cane while he made some remarks and presented Mr. Price with the gavel in tribute to his presidential service. Some reference was made to the inscription on the gavel and it was found that it contained the name of the president and the year that he served. Mr. Price inquired, "Isn't there anything else on it. That is very disappointing." President T. A. Phillips of Minnesota Mutual, former president, made a few observations for the benefit of President Price. The whole proceedings outside of a few serious moments were enlivened by Mr. Price's spontaneous levity in expression and deed.

### Fraternal Greetings

One of the lighter touches of the convention was in the fraternal greetings period Thursday morning, yet it was one of the best received. Paul F. Jones, Illinois insurance director, filled in for Charles F. Hobbs, Kansas commissioner, president National Association of Insurance Commissioners, who was unable to attend. Mr. Jones brought greetings from the commissioners group. Mr. Jones pointed out that the companies were to be commended for the courage and confidence with which they had faced problems of the last 10 years, but commissioners, he said, cannot relax their vigilance for the future because of the billions of public funds at stake.

Arthur M. Collens, president Phoenix Mutual, represented the Life Presidents Association and issued a cordial invitation to A. L. C. members to attend its convention in December. Mr. Collens was chairman of the committee appointed by the Presidents' group to represent it at the American Life Convention. Other members were Robert M. Green, vice-president Prudential, and John S. Thompson, vice-president and mathematician of Mutual Benefit Life. Vincent Whitsitt and Bruce Shepherd of the Presidents' association, also took bows.

Mr. McAndless, introduced two of the speakers on this part of the program, Jack Parker, Imperial Life of Canada, and Thomas R. Heaney, new president of the National Fraternal Congress, and President Price handled the other introductions.

Mr. Parker substituted for George Bourke, Sun Life of Canada, president of the Canadian Life Insurance Officers Association. This group is holding its 50th meeting next year. Canadian companies have taken much from those in America and have been a real inspiration, Mr. Parker said.

### Message from Witherspoon

Then came John A. Witherspoon, new president of the National Association of Life Underwriters, who said this year the N. A. L. U. is going to be concerned more with a long-range program. The association faces responsibilities toward the public and toward the field forces.

Much of the responsibility toward the public in recent years has been in resisting any further tax burdens. "During the past year," he said, "we contributed our share to the successful fight to retain the federal estate tax exemption of \$40,000; we have repeatedly urged that incidents of ownership test again supplant the premium payment test as the guide for applying the Federal estate tax; and we have led the fight for an amendment which would exclude

from the gross estate of a decedent that part of the proceeds of policies provided for the payment of federal estate taxes." He referred to the aid that is being

given the defense savings program. Each member will be called on to devote one day a month to the sale of defense bonds.

Mr. Witherspoon asked the aid of the companies to bring agents under the old-age and survivorship provisions of the social security act. "We believe," he said, "that all fieldmen should be entitled to the full benefits. We know that the renewal interest in the average agent's contract has not answered the old-age problem. Men who are spending their lives in the constant expansion of this business through the sales branch are daily earning the right to an old-age benefit. The steps do not seem to be unduly complicated; the cost to the company and the agent would be small. The field forces are convinced that something must be done on this important subject."

The N. A. L. U. is pleased to see so many companies introducing pension plans for their agents.

The association is facing squarely the problem of the unproductive agent. "I believe we have made enough surveys and studies on this problem," he declared. "The one sensible rule of thumb is this: 'Is the man making a living judged by the scale of living in his own locality?' Isn't that a common-sense basis for elimination?"

The final answer must be in the refusal of companies to continue to keep under contract any of those who are not making a decent living according to American standards.

"We are now studying the possibilities, and we believe that progress is being made in the direction whereby life insurance men and women will be required to meet very strict qualifications for membership in the National association," he asserted.

### Zimmerman, Wright

President Price mentioned Harry T. Wright, Equitable Society and Charles J. Zimmerman, Connecticut Mutual, Chicago, two past presidents of the National Association of Life Underwriters, who attended the American Life Convention meeting.

Thomas F. Cunneen, executive head of the insurance department of the U. S. Chamber of Commerce, stressed the fact that life insurance is based squarely on free enterprise. Referring to the further possible taxation of life insurance companies by Congress, Mr. Cunneen said that the members of the chamber's legislative committee will be glad to cooperate in opposing such taxation. Mr. Cunneen replaced Albert W. Hawkes, chamber president, who was unable to attend.

### Greetings From N. F. C.

In bringing greetings from the National Fraternal Congress, President Thomas R. Heaney, Catholic Order of Foresters, said that life insurance companies can wield a tremendous influence for good in these troubled times through agents and policyholders. Life insurance is, he said, more or less on trial, and policyholders are working to at least hold up the value of the dollar at the present level.

A. Beverly Baxter of London, member of Parliament, in his address, said Germany is paying a great price for its Russian expedition, but if Russia is successful, it will have been a worthwhile price, as Germany will emerge more powerful than ever. The next phase will be an attack on England more ferocious than ever. He said that although there is little danger of the United States being invaded, in a German dominated world the United States would be constantly facing crises.

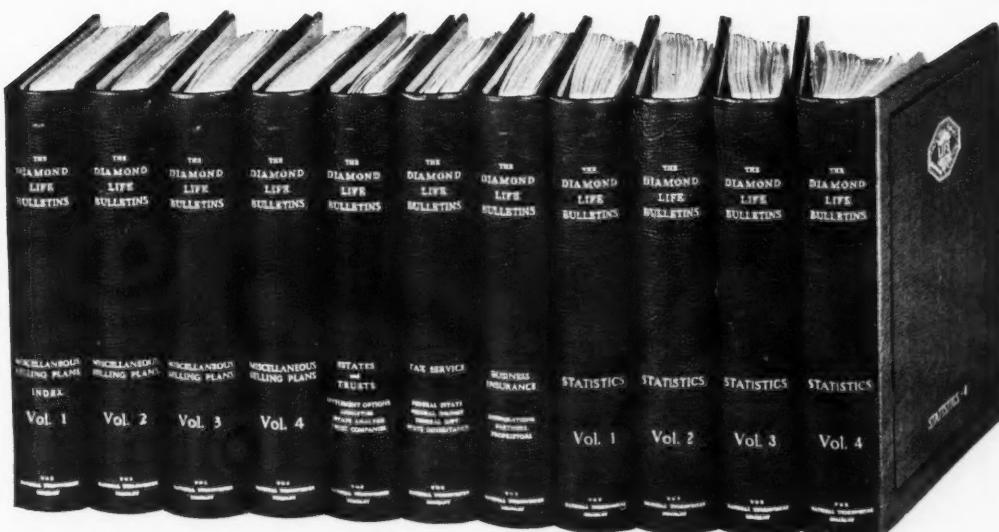
Roger Q. White, U. S. naval reserve lieutenant, who is public relations officer in Chicago, gave an interesting talk on the navy at the luncheon Thursday for distinguished guests, telling about ships, personnel and operations.

Chairman Isaac Miller Hamilton of Federal Life, according to custom, made the motion to adjourn following the Thursday afternoon session. In connection with the motion he made some appropriate observations.

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